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THE ROYAL COMMISSION ON VIOLENCE IN THE COMMUNICATIONS INDUSTRY

RESEARCH REPORT

THE ECONOMIC DETERMINANTS OF VIOLENCE
IN TELEVISION AND MOTION PICTURES AND
THE IMPLICATIONS OF NEW TECHNOLOGIES

By
Prof. Hugh H. Edmunds
Dr. John Strick

1976



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The views expressed in this report are those of the author(s) and do not necessarily reflect those of the Royal Commission on Violence in the Communications Industry, whose conclusions will be presented in its Final Report.



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IN THE COMMUNICATIONS INDUSTRY

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A study of
THE ECONOMIC DETERMINANTS
with respect to
VIOLENCE IN TELEVISION AND MOTION PICTURES
and the
IMPLICATIONS OF NEWER TECHNOLOGIES

for
THE ROYAL COMMISSION ON VIOLENCE
IN THE
COMMUNICATIONS INDUSTRY
Ontario

THE CENTRE FOR CANADIAN COMMUNICATIONS STUDIES
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CHAPTER I

INTRODUCTION

Violence in feature films and television programs is well entrenched, and appears to have become more widespread and explicit over the past several years. It would appear that reasonably favourable audience reception to the violence theme, combined with various other factors, have tended to encourage producers of film and producers and programmers in television to focus on violence. This study attempts to identify and analyze economic factors in the feature film and television media as they pertain to content, with particular reference to the presentation of violence. Among the variables examined are market size, proximity of markets, producers' perception of market demand, costs of production and their relation to themes and format, revenues, the nature and features of the industries, distribution and exhibition infra-structures, and audience demographics.

In the study, the film and television industries in both Canada and the U.S. are examined. Particular attention is focused on the interaction of the two markets, highlighting the dominance of U.S. film and television in the Canadian market, the economic basis of this dominance, and its influence on Canadian audiences, the film industry, and television programming. Most of the feature films exhibited in Canadian theatres are U.S. produced. U.S. produced television programs are shown on, and strongly influence, Canadian television, and

these programs and feature films predominate on cable in this country. Any study of content determinants in films and television in Canada cannot treat this country in isolation. Determinants of content in film and television in Canada can be traced primarily to the determinants of content in the U.S. Consequently, a considerable portion of this study deals with film and television program production in the U.S., together with the pattern of television programming in that country.

Feature film is examined in Chapter II and television in Chapter III. In these chapters, the factors which influence film and television program production, with particular reference to violent content, are examined. Assertions have been made that violence is the cheapest (most efficient) format for successfully attracting audiences relative to costs of production. This question is examined for both feature film and television programs. Costs of production and revenues of violent and non-violent films are analyzed to determine if a correlation exists between film theme, costs, and revenues. The state and constraints of the Canadian film and television program production industries are also examined, together with the distribution and exhibition infra-structures. Particular attention is given to the determinants of television network programming in the U.S., including costs of producing various types of programs, ratings, the oligopoly games that the networks practice and the resulting homogeneity and lack of diversity in program schedules, and the consequent effects on Canadian television.

Chapter IV reviews the development of cable and possible

introduction of pay television in Canada and the extensiveness of their rise, and analyzes their implications to producers and content of film and programs and to the traditional delivery systems.

In Chapter V some of the more recent technical innovations in the recording of programs, their delivery systems and means of exhibiting them are detailed, together with their possible future impact on, and implications for, the Canadian broadcasting system. This chapter also attempts to draw together in one source fairly comprehensive information concerning the broad range of technical innovations and possible social consequences in a larger sense than just violent themes since this type of information is generally lacking or difficult to assemble.

Conclusions and policy recommendations for reducing the degree of violence in film and television are presented in Chapter VI.

CHAPTER II

FEATURE FILM

A. Economic Factors in the Production of Feature Films

1. Market Size

Canada represents a relatively small market for film. Comparing domestic markets, the market for theatrical film in Canada is only approximately one tenth as large as the U.S. market. In 1974, American film rental billings in the U.S. market totalled \$545.9 million, compared to total theatrical rental billings in Canada of \$59.9 million (of which \$54.4 million were American billings). In 1975 worldwide theatrical rentals of American films totalled \$1.2 billion of which \$63.2 million came from film rentals in Canada. On this basis Canada represents approximately 5 per cent of the total U.S. domestic and foreign market. However, for both 1974 and 1975 Canada was the top foreign market for U.S. films and the rentals for 1975 had increased 16 per cent from the record level established in 1974.

Given the relatively small market in Canada, it is highly unlikely that a feature film will recoup its costs, let alone earn a profit to finance future productions, if distribution is restricted to the Canadian market. On the basis of 355 U.S. feature films distributed in Canada in 1974 for a total of \$54.4 million, the average film rental for a film of the Hollywood format and standard is approximately \$153,000, of which the producer may receive anywhere from 50

per cent to 75 per cent depending on the producer/distributor arrangement. Given that the cost of Canadian films range from roughly \$100,000 (very few at this price) to over \$1,000,000 and appear to average between \$500,000 and \$600,000,¹ it is almost impossible for a Canadian film to cover costs of production if distribution is limited to the domestic market, except in the case of an exceptionally successful film produced on a low budget. A \$700,000 gross box office in the domestic market is respectable and it takes an exceptional film to do better.² Even a film such as "The Apprenticeship of Duddy Kravitz," which earned approximately \$2 million in the domestic market and placed among the top twenty-five money-makers in Canada in 1975, could not cover costs of production from domestic box office returns. In Table II-1 an estimate is made of the returns to the producer for a number of the more successful Canadian films in recent years. As is shown, only an exceptionally successful film will produce enough at the domestic box office to cover costs of production, and only then if the film has been produced at a moderate cost.

It is estimated, on the basis of what appears to be the most common exhibitor/distributor and distributor/producer arrangements as explained in Table II-1, that the ratio of gross box office returns to costs of production must be approximately 6 to 1 to cover the costs of producing a film.³

It is obvious that the film industry in Canada, if it is to develop and be successful, must look to foreign markets. Producer Harry Gulkin ("Lies My Father Told Me") correctly evaluated this situation when he stated:

In a country as small as Canada, film has to be regarded as an export commodity. You can't make your money back

TABLE II-1

STATISTICS ON SOME RECENT CANADIAN MADE FILMS

<u>Title</u>	<u>Approximate Cost of Production</u>	<u>Canadian Box Office Gross</u>	<u>Weeks In Distribution</u>	<u>Estimated Return to Producers^a</u>
	\$	\$		\$
Lies My Father Told Me	1,200,000	650,000	38	113,750
My Pleasure Is My Business	350,000	535,000	96	93,625
Duddy Kravitz	910,000	1,900,000	65	332,500
Black Christmas	650,000	1,600,000	53	280,000
Shadow of the Hawk	500,000+	1,000,000	20	175,000
Shivers	200,000	800,000	35	140,000
Death Weekend	300,000- 600,000	550,000	52	96,250
Recommendation for Mercy	114,000	625,000	40	109,375

^aAssuming a 65-35 exhibitor/distributor arrangement and a 50-50 producer/distributor arrangement. Under such arrangements the ratio of box office returns to returns to the producer would have to be approximately 5.7 to 1 to cover costs of production (excluding any taxes).

Source: Canadian Motion Picture Distributors Association, and Variety, Nov. 24, 1976, p. 32.

in the Canadian market alone on a picture with a normal budget of any kind. Consequently, films which reflect the inner life of our country in a way which interests only Canadians can't make their money back in the Canadian market, and this has been characteristic of many Canadian films.⁴

Consequently, with an eye on the large American market, successful Canadian producers have attempted to follow the Hollywood formula for films. If the successful formula for low-budget pictures (to which Canadian producers are for the most part restricted) is violence, sex, and horror, then economic realities dictate that Canadian producers follow this format.

2. The Film Industry's Assessment of Market Demand

The film industry is a commercial enterprise in which the entrepreneurs involved (producer, distributor, and exhibitor) expect a return, which depends on the marketability of the product and the size of the market. The ultimate key to success is the marketplace and the ability to assess public tastes and demands and produce a product that satisfies that demand. If the public is not interested in a film, or cannot be induced to view the film, it will fail regardless of its artistic or technical qualities.

In an annual edition, the film trade paper Variety publishes a list of all films whose rentals have exceeded \$4 million. A survey of the more successful films in terms of rentals reveals a large variety of themes which include spectacular events (biblical, military, disaster, etc.), music, comedy, terror-suspense, sexuality, violence, romance, adventure, and the supernatural. Depending on a variety of factors including the story, the script, the director, the

actors, the artistic quality, and the time of release, it would appear that financially successful movies can be made on any of these themes.

Some themes have been more popular at times than others, as public tastes and preferences change (reflecting changing social conditions and values) or as a particular film breaks new ground in its presentation of a theme and finds instant appeal, to be followed by a succession of "copies" of this new format (i.e. the disaster film following "Airport" and "The Poseidon Adventure," graphic violence as in "The Godfather," sexual liberalism as in "Deep Throat" and "Last Tango in Paris," etc.), or sequels ("Airport," and "Airport 75" and the soon-to-be-released "Airport 77"). It would appear, however, that sequels of a movie are, as a general rule, not as successful as the first version and are frequently more expensive. Consider the following examples: "Godfather I" cost \$6 million and grossed \$86 million in rentals, while "Godfather II" cost \$15 million and grossed approximately \$29 million in rentals; "French Connection I" grossed \$27.5 million in rentals while "French Connection II" grossed only \$5.5 million; "Airport" grossed \$45.3 million in rentals, "Airport 75" grossed \$25.7 million; "Planet of the Apes" grossed \$15 million in rentals, "Escape From Planet of the Apes" grossed \$5.6 million. One notable exception was the James Bond series.

It would appear that in the past several years film themes of violence, sexuality, and terror-suspense have appealed to movie-goers sufficiently enough and consistently enough for film-makers to focus on these subjects. The trend in recent years has been the production of an increasing

proportion of films rated for a restricted audience. Films that stand out as the most common type produced within the restricted rating category have been films depicting violence or sex, or films combining both subjects. Family-type adventure films, comedies, and children's pictures, rated for the most part as General Audience (G) form a relatively small group and have been on the decline in the last few years.

Table II-2 illustrates the annual ratings of films by the Motion Picture Association of America (MPAA) for the period 1968 to 1975. The films of both the major and minor studios and the independent producers are included. From 1968-69 to 1974-75 the number of Restricted (R) and X-rated films increased from 29 per cent of all films rated to 52 per cent. For the same period the proportion of films rated General (G) fell steadily from 32 per cent to 13 per cent. It is also interesting to note that the independent producers have always tended toward the sex/violence exploitive types of film which are frequently R or X-rated and their seven-year cumulative average is 57 per cent in the R-X categories as compared to 30 per cent by the majors. In addition, the proportion of films produced by independents has increased dramatically from 16 per cent in 1968-69 to 64 per cent in 1974-75.

The film classification and censor boards in Canada have also reported an increasing number of films rated similarly to the MPAA rating PG, R and X. Recently the Bureau de Surveillance du Cinéma du Québec reported that its rating of feature films "For All" declined from 50 per cent of all features shown in the province in 1972 to 35 per cent in 1976. Over the same period, features rated for "18 and over"

TABLE II-2
MPAA FILM RATINGS:^a 1968-75

	<u>G</u>	<u>PG</u>	<u>R</u>	<u>X</u>	<u>Total</u>
<u>1968</u>			<u>1968-69</u>		
Majors-Minors	120 (32%)	154 (42%)	81 (22%)	16 (4%)	371 (84%)
Independents	21 (30%)	18 (26%)	22 (31%)	9 (13%)	70 (16%)
Total	141 (32%)	172 (39%)	103 (23%)	25 (6%)	441 (100%)
<u>1969</u>			<u>1969-70</u>		
Majors-Minors	59 (22%)	109 (40%)	91 (34%)	12 (4%)	271 (61%)
Independents	31 (18%)	46 (27%)	73 (42%)	22 (13%)	172 (39%)
Total	90 (20%)	155 (35%)	164 (37%)	34 (8%)	443 (100%)
<u>1970</u>			<u>1970-71</u>		
Majors-Minors	60 (25%)	105 (44%)	70 (30%)	3 (1%)	238 (46%)
Independents	41 (15%)	91 (33%)	100 (36%)	45 (16%)	277 (54%)
Total	101 (20%)	196 (28%)	170 (33%)	48 (9%)	515 (100%)
<u>1971</u>			<u>1971-72</u>		
Majors-Minors	74 (29%)	127 (50%)	51 (20%)	1 (1%)	253 (50%)
Independents	20 (8%)	104 (40%)	127 (50%)	5 (2%)	256 (50%)
Total	94 (19%)	231 (45%)	178 (35%)	6 (1%)	509 (100%)
<u>1972</u>			<u>1972-73</u>		
Majors-Minors	43 (18%)	112 (47%)	79 (33%)	3 (1%)	237 (43%)
Independents	42 (13%)	72 (23%)	182 (58%)	17 (5%)	313 (57%)
Total	85 (16%)	184 (33%)	261 (47%)	20 (4%)	550 (100%)
<u>1973</u>			<u>1973-74</u>		
Majors-Minors	36 (20%)	88 (50%)	55 (31%)	2 (1%)	181 (35%)
Independents	36 (11%)	97 (30%)	177 (54%)	17 (5%)	329 (65%)
Total	72 (14%)	185 (37%)	232 (46%)	19 (3%)	508 (100%)

	<u>G</u>	<u>PG</u>	<u>R</u>	<u>X</u>	<u>Total</u>
<u>1974</u>			<u>1974-75</u>		
Majors-Minors	28 (19%)	67 (44%)	53 (35%)	3 (2%)	151 (36%)
Independents	28 (11%)	82 (30%)	147 (54%)	14 (5%)	271 (64%)
Total	56 (13%)	149 (35%)	200 (48%)	17 (4%)	422 (100%)
<u>1975</u>			<u>Seven-Year Cumulative: 1968-75</u>		
Majors-Minors	420 (25%)	762 (45%)	480 (28%)	36 (2%)	1,698 (50%)
Independents	219 (13%)	510 (30%)	828 (49%)	129 (8%)	1,686 (50%)
Total	639 (19%)	1,272 (37%)	1,308 (39%)	165 (5%)	3,384 (100%)

^aRating symbols are as follows: G - General Audiences, all ages admitted; PG - Parental Guidance Suggested, some material may not be suitable for children; R - Restricted, a person under 17 years of age must be accompanied by an adult; X - no one under 17 admitted.

Source: Variety, November 5, 1975, p. 36.

increased from 27 per cent to 42 per cent. In Ontario, the Theatres Branch of the Ministry of Consumer and Commercial Relations has also reported an increasing tendency away from family-type entertainment films to adult entertainment and restricted films. This trend is illustrated in Table II-3. Between 1970-71 and 1975-76 the proportion of restricted films increased from 29.0 per cent of films received to 40.4 per cent.

Table II-4 presents Ontario's classification of Canadian feature films. Between 1972-73 and 1975-76, fewer movies were made and also fewer restricted movies were made. It is interesting to note that during this period a larger proportion of Canadian feature films have been classified as adult entertainment and restricted as compared to all films received and classified by the Ontario Board of Censors (Table II-3).

Some producers have maintained that movie-goers today not only wish to be entertained but also seek to be emotionally moved, excited and even shocked. They attempt to provide people with entertainment in theatres that people cannot find in television. And if violence and death presented in lurid and graphic forms, sell tickets, then presumably this is what theatre audiences wish to see. Consequently, movie-makers have turned to more violence and more sex, combined them, and furthermore mixed them with content which has been described as "gross, crude, vile, disgusting . . ."⁵ Charles Bresick, Vice-Chairman of the Manitoba Film Classification Board, in a recent letter to the editor of the Globe and Mail, reflected on this trend:

In the six years I have been on the Manitoba Film Classification Board we viewed 2,461 films. Of these

TABLE II-3

ONTARIO CLASSIFICATION OF FEATURE FILMS:
SELECTED YEARS: 1970-71 to 1975-76

<u>Classification</u>	<u>1970-71</u>		<u>1972-73</u>		<u>1974-75</u>		<u>1975-76</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
General Exhibition	270	37.1	195	27.9	165	20.0	168	20.0
Adult Entertainment (parental guidance advised)	233	32.0	280	40.0	321	39.0	326	38.8
Restricted (no one under the age of 18 admitted)	211	29.0	213	30.5	332	40.3	339	40.4
Not Approved	<u>14</u>	<u>1.9</u>	<u>11</u>	<u>1.6</u>	<u>6</u>	<u>.7</u>	<u>7</u>	<u>.8</u>
Total	728	100.0	699	100.0	824	100.0	840 ^a	100.0

^aDoes not include 12 pending classifications

Source: Theatres Branch, Ministry of Consumer and Commercial Relations.

TABLE II-4

. ONTARIO CLASSIFICATION OF CANADIAN FEATURE FILMS

<u>Classification</u>	<u>1972-73</u>		<u>1974-75</u>		<u>1975-76</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
General Exhibition	1	4.5	3	14.3	3	17.6
Adult Entertainment	8	36.4	8	38.1	7	41.2
Restricted	13	59.1	10	47.6	7	41.2
Total	22	100.0	21	100.0	17	100.0

Source: Theatres Branch, Ministry of Consumer and Commercial Relations

no less than half were of the type that merit a Restricted classification. Among these we have seen a hundred times over every possible variety of nude simulated sex acts, including acts of sodomy and a necrophilia. We have seen countless rape scenes portrayed in the most sadistic and vicious manner. We have seen a thousand times over people being tortured and killed in every possible way the mind of man can devise, including that of having heads jammed in toilet bowls. We have had to listen to the same stream of profanity and foul language in film after film. We have seen people spitting on other people; people vomiting over other people . . . current film-makers in their obsession with scatology have shown men and women sitting on toilet seats and other lavatory scenes in no less than 400 movies . . . the high point was reached when they showed a young man in a high school class urinating out of the window on top of some girls playing in the school yard outside . . .⁶

Of course not all producers have this assessment of the markets for film. It is interesting to note that, at the time when more sex, violence, and what might be termed vulgarity was being introduced to the movies, the movie "Love Story" went in the opposite direction. Howard Minsky, who put "Love Story" together, in describing his efforts explained how he "bought a property that was so bad, William Morris, the largest talent agency wouldn't handle [it]," and had writer Erich Segal "rewrite the script nine times," removing "the nudity, sex and four letter words." He went on to say: "We showed it to every studio and producer in town. No one would touch it. They told me I was insane. But I knew we had an honest, old fashioned love story, one that didn't need sex and violence."⁷ The success of "Love Story" is well known.

Walt Disney Productions has for the most part stayed with the production of family entertainment films. There is evidence that a few other small, independent producers have recently determined that a market does exist for family films, not in large cities, but in small and medium size cities and small towns. For example, Doty-Dayton-Productions, a small

Hollywood company has turned out five movies in four years, all profitable, following the themes and formats of Disney movies. Producer Lyman Dayton maintains that "there is an audience out there that is getting tired of sex scenes and gutter language. There is a need for more family films."⁸ His films deal with pioneer-children stories and adventure stories with a moral theme designed to entertain rather than shock, generate fear, or excite. They contain no profanity or bloodshed, have been made on low-cost budgets but have attracted audiences and have been box office successes. For example, "Seven Alone," a movie about orphans struggling to survive on the Oregon trail cost \$500,000 and reportedly grossed approximately \$12 million.⁹

3. The Film Production Budget

Many factors affect the costs of film production and result in either a low or high budget motion picture. Among these are the following:

a) The Stars and Cast. The more star performers in the picture, the greater the cost. For example, in the star-studded picture "The Towering Inferno," stars Paul Newman and Steve McQueen reportedly each received \$1 million (plus a percentage of gross rentals).¹⁰ For their parts in "Missouri Breaks," Marlon Brando received \$1.2 million and Jack Nicholson received \$1 million (and each was to receive 10 per cent of gross receipts in excess of \$10 million).¹¹

Given that the current average cost per feature film in the U.S. is approximately \$3 million, the payments to the two main actors in each of the above films almost equaled the

budgets of the average film.

b) Sets and Other Physical Properties. Extensive or numerous set constructions can greatly add to film production costs. Pictures filmed on location can generally be made at lower cost than films shot on expensive sets. Set construction for a film such as "Jaws" is expensive. The ape in "King Kong" (1976) reportedly cost \$1.7 million to construct and required a team of 20 operators to animate. Similarly the design and making of 25 different costumes for Diana Ross in "Mahogany" contributed much to the cost of that film.¹²

c) Stories and Scripts. The cost of stories on which films are based vary. The acquisition of the rights to a popular novel may be relatively costly. For example, the movie "The Towering Inferno" was adapted from two stories, namely: "The Glass Inferno" for which Twentieth Century Fox paid \$400,000, and "The Tower" for which Warner Bros. paid \$300,000. The two companies then combined their properties in a joint production of "The Towering Inferno."¹³ Script writing, on the other hand, is not a major element in the cost of a motion picture. Obtaining good scripts, however, is frequently a problem. Good script writers for certain themes, particularly comedy, appear scarce.

d) Studio Overhead. This is a cost that must be taken into account whether a producer has his own studio, as in the case of a major, or whether he leases the studio of a major production or distribution company, as is the case of independent producers. Overhead will involve the cost of facilities, sets, props, personnel, etc. that the studio makes available.

Time is also an important element. Costs can generally

be held down by shooting a film quickly.

The average feature film production budget is divided as follows:¹⁴

<u>Item</u>	<u>% of Total Cost</u>
Story costs	5
Production and direction costs	5
Sets and other physical properties	35
Stars and cast	20
Studio overhead	20
Income taxes	5
Net profit after taxes	<u>10</u>
	100

The average cost per feature film in the U.S. has steadily increased over time from approximately \$1,000,000 in 1949 to \$1,890,000 in 1972 to \$2,500,000 in 1974.¹⁵

4. Costs of Production, Revenues, and Film Content

It would appear that a reasonably homogeneous taste or preference for violence in films exists among a sufficient proportion of movie-goers to generate box office receipts which, in relation to costs of production, are generally sufficient to prompt movie-makers to focus on this theme. In this section an attempt is made to analyze possible relationships between costs of producing films and the violence content in films.

a) Some Economic Principles of Production

Costs are a major factor in the production and supply of a good or service. If costs of production of a particular good are high relative to the price that good can command in the market, production will not be profitable and producers

will turn, if possible, to substitute lower cost goods in an attempt to meet the demand. In production, it is assumed that, given a budget, the objective of the producer is to maximize output subject to the budget constraint, or, if his goal is a given output, to minimize the costs of attaining that goal and in the process maximize his profits. In the case of film, the ultimate goal of film-makers (the producer and financial investors) is to maximize the number of viewers. If funding is limited, a movie-maker will attempt to use the funds to produce a movie which, in his assessment has the greatest potential box office draw. His choice of theme, story, script, performers, setting, etc. should all be determined with the objective of making the most attractive or marketable film possible within the confines of his budget and consequently maximizing the viewer/cost ratio. A small budget will restrict the use of stars, certain scripts requiring expensive set constructions, many location moves, long time-consuming filming, etc. which may add greatly to costs of production, and this may restrict the movie-maker in his choice of themes and film format.

Larger budgets may permit the movie-maker greater flexibility in film-making. But a high-budget film must be capable of generating a sufficiently larger audience to yield a rate of return to movie-makers at least equal to that of a low-cost film. In other words, costs of production per thousand viewers of a high-cost film should be at least equal to the cost-per-thousand of a low-cost film. But large budget films do not necessarily ensure large audiences. Many elements are involved in the success of a film including the

theme, the story, the script, the cast, the director, and perhaps most important of all, its release at the right time to catch the public's interest. ("Jaws" is an example of an exceptional combination of content and time.) The history of Hollywood is filled with expensive and extravagant films which did not fulfill expectations at the box office (consider the example of "Cleopatra").

There is a great deal of risk and uncertainty associated with film-making. No producer can be certain of the public appeal of his film and its box office draw. Film spectacles, or various stories that require large budgets to be translated into film, involve large amounts of risk capital. The uncertainty involved may make it difficult to obtain the necessary finances. And even if obtainable it may be more attractive to consider the alternative—to produce several "lesser" films for the same total investment and consequently spread and reduce the risk factor.

b) Film Themes, Costs, and Revenues

There is a notable lack of good data on the film industry in both Canada and the United States, particularly on costs of producing films. Variety publishes revenues from film rentals (returns to the distributor) in the U.S. and Canada where rentals exceed \$1 million, in a year-end anniversary edition and presents box office revenues on a weekly basis of the top 50 films of the week. These weekly figures, however, represent only a sample of theatres in the U.S. Estimates of the budgets of a particular film may appear occasionally in a variety of sources, particularly in serials and magazines relating to movies, and in daily news-

papers and weekly magazines, but otherwise data on costs in the motion picture industry are considered closely guarded secrets.

In Table II-5 a list of a sample of recently released motion pictures is presented.¹⁶ Costs of production are shown together with rental revenue (in the U.S. and Canada).¹⁷ In some cases rental data were not available, but reasonably reliable box office figures were obtainable from which rental data could be estimated.

From the data in Table II-5 it is difficult to draw any meaningful correlation between, or come to any conclusions about, the nature of film violence vs. non-violence and its cost and revenues. Films depicting violence can be produced at low or high cost as can non-violent films. Similarly, some films concentrating on violence may gross large amounts of revenue while others fare poorly, and this applies to non-violent films as well. Many variables have a bearing on the relationship between the theme of a film (violent or non-violent) and its costs and revenues, including such factors as the performers, the director, the script, the setting, and perhaps most important of all, the story itself.

As seen in Table II-5, the cost and success of films of a violent nature vary. The more expensive films in the list include "Godfather" Parts I and II, "Missouri Breaks," "The Odessa File," and "Jaws." "Godfather I," a film of graphic violence, bloodletting, and death, but also characterized by excellent acting and script, cost \$6 million to produce and reaped rental revenues of \$86 million, while its sequel "Godfather II," a much more expensive version at \$15

TABLE II-5

SELECTED FEATURE FILMS: VIOLENT AND NON-VIOLENT

PRODUCTION COSTS AND REVENUES

Film Title	Date of Release	Cost of Production ^a	Revenues Film Rentals to Dec. 1976 ^b
		\$	\$
<u>Violent</u>			
Death Race 2000	April 1975	750,000	5,100,000
Death Wish	Aug. 1974	2,700,000	8,800,000
Doc Savage, The Man of Bronze	1975	3,000,000	<4,000,000
French Connection I	1971	2,400,000	27,500,000
Godfather (Part I)	1972	6,000,000	86,000,000
Godfather (Part II)	Dec. 1974	15,000,000	28,900,000
Jaws	June 1975	8,000,000	118,727,000
Mahogany	Oct. 1975	3,750,000	6,917,776
Missouri Breaks	May 1976	8,000,000	6,752,000
Sudden Fury (Can.)	Nov. 1975	115,000	(85,000-Canadian box office) ^d , (Nov. 1976)
Sunday In The Country (Can.)	Feb. 1975	600,000	(165,000-Canadian box office) ^d , (Nov. 1976)
The Odessa File	Oct. 1974	4,500,000	6,000,000
The Return of The Pink Panther	May 1975	2,000,000	19,400,000

<u>Film Title</u>	<u>Date of Release</u>	<u>Cost of Production</u> ^a	<u>Revenues</u> <u>Film Rentals to Dec. 1975</u> ^b
		\$	\$
<u>Non-Violent</u>			
Funny Lady	Mar. 1975	8,500,000	19,000,000
Lies My Father Told Me (Can.)	Sept. 1975	1,200,000	3,200,000 ^c (Nov. 1976)
Love Story	1970	2,200,000	50,000,000
Murder on the Orient Express	Dec. 1974	4,600,000	18,669,210
My Pleasure is My Business (Can.)	Jan. 1975	350,000	3,200,000 ^c (Nov. 1976)
Seven Alone	1974	500,000	2,391,446
Shampoo	Feb. 1975	4,500,000	22,000,000
The Strongest Man In The World	Feb. 1975	3,000,000	6,600,000
The Towering Inferno	Jan. 1975	14,000,000	55,000,000

^a Data obtained primarily from film production files in the library of the Academy of Motion Picture Arts and Science, Los Angeles, California.

^b U.S. and Canada as at the end of 1976, unless indicated otherwise. Source: Variety, 71st Anniversary Edition.

^c Rental data calculated from box office gross. Terms of exhibition contracts vary, but a generally accepted film industry rule of thumb is that about 40 per cent of the box office dollar goes to the distributor in rentals.

^d Rentals or box office data from distribution in the U.S. was not available.

million enjoyed considerably less success (\$29 million in rentals). "Jaws" cost \$8 million but yielded the highest box office and rentals in the history of feature film—a prime example of a movie with the right combination of elements for instant success. "Missouri Breaks," at a relatively high cost of \$8 million given its content, showed little promise, despite two star performers in Marlon Brando and Jack Nicholson, and is not expected to cover costs. A vividly violent movie, where Brando devises different means to kill his adversaries, the story content is thin and disjointed. It is understandable that when the movie opened in May 1976 in every major city in the U.S. and Canada, the emphasis in promotion was on the two stars. "The Odessa File," a British-German production at a cost of \$4,500,000, and "Doc Savage" with a budget of \$3 million (up from the original budget of \$1.5 million) have shown little promise. On the other hand, "Mahogany," "a reincarnated Fifties melodrama"¹⁸ about a poor shop-girl's rise to fame and fortune starring Diana Ross did reasonably well at the box office. Originally budgeted for \$2.5 million, and filmed in Chicago and Rome, changes in the script increased costs by \$1.25 million for a final total of approximately \$3.75 million.

Two average-budget films with considerable violent content, "Death Wish" (starring Charles Bronson) and "French Connection I" (starring Gene Hackman), were produced at a cost of \$2.7 million and \$2.4 million respectively. The former grossed \$8.8 million in film rentals while the latter proved exceptionally profitable at \$27.5 million. A very low-cost film, "Death Race 2000" was one of the most violent in the

list and yielded respectable returns. Produced at a cost of only \$750,000, it grossed \$5.1 million in rentals. "Return of the Pink Panther" combines humour and violence and at a cost of \$2 million was a highly successful film with rentals of \$19.4 million.

"Sudden Fury" and "Sunday In The Country" were two relatively inexpensive films made in Canada. Data on revenues from U.S. distribution are not available, but they fared rather poorly at the Canadian box office.

The non-violent films listed in Table II-5 likewise vary considerably in cost and box office revenues. "The Towering Inferno" was a very expensive movie at \$14 million. It was one of several relatively costly but successful epic disaster movies made in the last few years (along with "Earthquake" and "The Poseidon Adventure "). Such high-cost films are not common as generally there is some hesitancy and reservation about risking large sums in any one picture.¹⁹

Other above-average budget films in the list include "Funny Lady," "Murder on the Orient Express," and "Shampoo." "Funny Lady," a romantic musical comedy, was a relatively large undertaking at \$8.5 million but did not do nearly as well as "Shampoo," a comedy combined with sexuality. "Shampoo" grossed \$40 million at the box office in the first five months. Canadian first runs grossed \$2.2 million at the box office.²⁰ The Disney production "The Strongest Man in the World," a comic fantasy, was brought in at \$3 million but fared relatively poorly with \$6.6 million in film rentals. On the other hand, "Love Story" (described in an earlier part of this chapter), was an exceptional success. Budgeted at \$2.2 million, it

grossed \$50 million in rentals. "Seven Alone," an adventure film was produced at a very low cost of \$500,000 but proved profitable with rentals of \$2.4 million.

Two Canadian films, "Lies My Father Told Me" and "My Pleasure Is My Business," made reasonable inroads into the American market and yielded respectable returns of \$8 million each at the box office. Both cost well below the average cost of U.S. films with "Lies" budgeted at \$1.2 million and "My Pleasure Is My Business" with a very low budget of \$350,000. The latter was a sex oriented film starring the well publicized Xaviera Hollander, which undoubtedly helped the box office.

From this list of films, no set pattern emerges with respect to costs, revenues, and theme (violent vs. non-violent). It would appear from such examples as "Death Wish," "French Connection," "Return of the Pink Panther," "Death Race 2000," "Love Story," "Lies," "Shampoo," "Seven Alone," and "My Pleasure Is My Business" that successful violent as well as non-violent films can be produced at average to less than average costs if they combine a reasonably good story with good acting and technical qualities and are well promoted. Stars such as Warren Beatty ("Shampoo"), Charles Bronson ("Death Wish"), Peter Sellers ("Pink Panther"), and Barbra Streisand ("Funny Lady") do assist to promote the films, although stars are not a guarantee of success and do add to the cost of production. The matter of whether the film depicts violence or non-violence does not appear to be crucial to the success of the film.

It is the opinion of many producers, however, that exploitive films dealing with violence, terror, and sexuality

are reasonably "safe" types of films in the sense that they can be produced at low to moderate costs and have shown to possess a degree of certainty at the box office. These films appear sufficiently different from the usual TV fare of movies and entertainment that they bring people to theatres, and producers apparently strongly believe that to bring people to theatres, theatrical films must be different from what can be shown on television. If such films enjoy better than average appeal, they will produce substantial returns (take the example of "French Connection"), but if they fail to attract audiences, the losses are relatively small in comparison to high-cost films. It has been estimated that about one movie out of four will return a profit. In the words of movie director Sidney Lumet ("Murder On The Orient Express"), "I think it really works out to about one hit in four. One in four works out terrifically. One in four gets the money back. One in four loses a little, and one in four is a total disaster."²¹

It has also been suggested that cheap violence and sex films are not only more certain at the box office but they are easier to produce. Actors and script writers are more readily available, and locations for filming generally do not pose a problem. They also generally require few set constructions. The relative ease of producing such films are of course reflected in relatively low costs of production. Given the uncertainty or risk factor in the film industry, the difficulties of securing large funding for a major picture, and problems of obtaining interesting or popular stories devoid of violence or sexuality, coupled with the almost limitless ways in which

themes of violence or sexuality can be portrayed and at relatively low cost, together with the belief that this is what audiences will go to theatres to see, it is understandable that producers, particularly the independents, opt for films on these themes.

B. Film Production in Canada

1. Size of the Industry

For the year 1974, Statistics Canada listed a total of 187 private firms engaged in the motion picture production industry in Canada with gross revenue of approximately \$49.6 million^{2 2} (Table II-6). A list of the kind of film produced during 1974 is presented in Table II-7. A total of only 28 feature films were produced by Canadian film producers during that year. Elsewhere it has been shown that there were 901 new feature films distributed in Canada. Canadian produced film consequently accounted for approximately 3 per cent of total new features shown in Canada.

Most of the production firms in the Canadian film industry are small, operating on low-cost budgets, and very few of the theatrical films produced exceed \$1 million. Investment funds for Canadian films are not very readily available and budget limitations therefore act as a major constraint for most producers and are a determining factor in the type of film produced. Budget limitations also apply to the promotion and distribution of films (unless the film is distributed by a major distributing company) as few Canadian producers are able to budget sufficient funds for adequate promotion.

Sources of funds for the production of Canadian films include private investors, banks, the Canada Film Development Corporation (CFDC), the major distributors, the two major exhibitors^{2 3} (Famous Players and Odeon), and foreign sources. For example, the production capital for "Lies My Father Told Me" was raised through private bank loans, grants from the CFDC, and a loan from Famous Players Corp. Ltd.^{2 4} Another

TABLE II-6

MOTION PICTURE PRODUCTION IN CANADA 1963-1974

<u>Year</u>	<u>No. of Production Firms</u>	<u>Revenue (\$ million)</u>		
		<u>Production Revenue</u>	<u>Printing & Lab</u>	<u>Other</u>
1963	69	7.8	3.9	.4
1964	71	7.9	4.4	.4
1965	74	8.6	4.5	1.1
1966	82	11.5	5.1	1.4
1967	93	14.5	7.5	.7
1968	95	16.1	9.9	.9
1969	89	15.3	10.2	1.4
1970	112	20.7	12.2	1.2
1971	--	--	--	--
1972	139	22.9	12.6	.9
1973	143	24.6	13.9	1.3
1974	187	30.0	18.0	1.6

Source: Statistics Canada, Motion Picture Production, 1974
(Ottawa, 1976).

TABLE II-7

FILM PRODUCTION IN CANADA, 1974

Kind of Film	Private Industry			Government	Total
	Quebec	Ontario (number)	Canada		
Theatrical Motion Picture Production					
Sound feature	17	8	27	1	28
Sound short	5	2	7	24	31
Commercials	48	144	193	-	193
Other	9	2	11	1	12
TV Motion Picture Production					
Entertainment	19	143	165	13	178
Information and Documentary	192	161	396	44	440
Commercials	383	1,505	2,250	12	2,262
Other	3	54	97	43	140
Non-Theatrical Motion Picture Production					
Information and Promotion	69	197	324	65	389
Tourism	8	5	20	5	25
Instruction and Training	48	80	159	16	175
Other	5	52	61	6	67
Total Production	806	2,353	3,710	230	3,940

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Source: Statistics Canada, Motion Picture Production, 1974 (Ottawa, 1976)

example, "The Uncanny," a \$1 million Anglo-Canadian co-produced film, received \$200,000 financing from the CFDC, \$150,000 from Odeon Theatres Canada, and funds from Astral-Bellevue-Pathe (a distributor), and other private sources, including funds from England.²⁵ A recent Canadian film "Who Has Seen The Wind," filmed in Saskatchewan at a cost of approximately \$1,000,000 was financed with \$300,000 from the Province of Saskatchewan, \$300,000 from the CFDC, \$100,000 from Famous Players Can. Ltd., and approximately \$200,000 from private investors.²⁶

2. Co-Productions

There has been a recent trend towards an increasing number of Canadian films being produced under co-production agreements with foreign film-makers, particularly American. Co-productions with U.S. producers or distributors provides an important source of financial backing. One of the more active film production companies in Canada—International Cinemedia Center—has had since 1975, a co-production agreement with Columbia Pictures in the U.S. The head of Cinemedia, John Kemeny, is convinced that it could be a model for other Canadian film producing companies. He points out that such agreements bring money into Canada because of the agreement under which Columbia contributes to the financing of the joint projects.²⁷ Co-production with U.S. producers or distributors is also one way of breaking into the American market because it ensures distribution in that market by the American counterpart.

American producers or distributors who enter into co-production agreements, however, appear to have little interest

in Canadian themes or Canadian originated projects or scripts.²⁸ It would appear that there is generally some pressure for either an American director or star to give it the Hollywood image. In this regard, Michael Spencer, executive director of the Canadian Film Development Corporation (CFDC) commented: "We're still struggling to get Canadian originated projects in this area, still struggling to get work for our directors and script writers."²⁹ The Council of Canadian Filmmakers has also expressed serious concern about co-producing with Hollywood producers and distributors, fearing that it will eventually lead to the Canadian film industry becoming a subsidiary of the Hollywood majors, and draws an analogy to the Canadian automobile industry.³⁰

Influencing pressures for the Hollywood image or presence in a film, of course, are not limited to co-productions with U.S. producers or distributors. Investors in film generally may insist on approval of, or at least try to exert some influence on the choices of, directors and actors or actresses in line with their assessment of box office attractions as a condition of their investment. For example, Famous Players Ltd., in return for its \$100,000 support of "Who Has Seen The Wind" wanted an international name to play a part in the film in an attempt to improve distribution and box office attraction. This led to actor José Ferrer being given a part in the film.³¹

Co-productions in Canada, of course, are not limited to the U.S. Canada has formal co-production agreements with Britain, France, and Italy. Some films currently under production with producers or distributors of other countries include: "Black Fury" (with Italy), "The Disappearance," (Britain);

"Flight to Hell" (Britain); "The Evil Lives On" (France); and two \$1 million horror Anglo-Canadian films, "Full Circle," and "The Uncanny" (about cats that terrorize humans) both supported by the CFDC.³²

Some maintain that the recent trend towards co-productions has been stimulated by recent changes in tax legislation as it pertains to films made in Canada. Included in these changes was a provision permitting a 100 per cent write-off of investment in the film in the year in which it was made. However, this 100 per cent write-off provision applies only to Canadian feature films with specified Canadian content or if the film is produced under terms of official Canadian co-production agreements with other countries.

3. Role of the CFDC in the Canadian Film Industry

The Canadian Film Development Corporation was established in 1967 to foster and promote the feature film industry in Canada through a system of investments, loans, and awards. Up to 1976, the CFDC had invested over \$20 million in feature film production. It has been estimated that approximately 57 per cent could be regarded as a total "write-off" in terms of yielding monetary returns.³³

Since 1972 there appears to have been a more concerted effort on the part of the CFDC to financially support commercial films with greater potential for international distribution and consequently a greater potential for yielding a monetary return. The CFDC has been under pressure to produce better financial returns on its investments. Since the Canadian market

alone cannot support a film industry, the CFDC has been forced to look to the international marketability of films. Films of cultural and artistic appeal will not achieve this nor will they lead to a financially viable film industry in Canada.

Three recent trends can be observed in the CFDC program of film support which are directed towards a more viable film industry in Canada. First, the CFDC has become more deeply involved in supporting Canadian producers who undertake commercially potential co-productions with foreign producers. Examples are "Shadow Of The Hawk," co-produced with Columbia Pictures; "The Uncanny," a Canadian-U.K. production, and "Full Circle," another Canadian-U.K. production.

Secondly, the CFDC is tending to support more films of an exploitive nature with themes of violence and horror. The box office figures on these films suggest that they are, on the whole, more readily marketable than other low-cost films. For instance, "Black Christmas" and "Death Weekend" (both costing within the \$300,000 to \$500,000 range) two terror/suspense pictures along with two other films ("Kamouraska" and "Duddy Kravitz") accounted for most of the CFDC's revenues of \$833,998 in 1975-76.³⁴ "Black Christmas" was distributed in Canada, the U.S., Italy, Germany, South Africa, and the Far East. "Shivers," a horror movie, was also reasonably successful in the market. As shown in Table II-8, of the 8 major films supported by the CFDC in 1976-77, three are classified as suspense and one is classified as supernatural drama. No comedies or children's films appear on the 1976-77 list. It has been estimated that over half of the applications to the CFDC requesting support are exploitive in nature, primarily on

the theme of violence. Undoubtedly numerous producers in Canada, operating on low-cost budgets, believe that within the confines of their budgets, films of an exploitive nature have the greatest potential for yielding a return. And if the theme of violence or terror has proved reasonably successful for an individual producer he is likely to stay with the theme at least until he has established a reputation as a successful producer or a "good track record." Once established, financing for his films may become more readily available and then he perhaps could give some thought to "better quality" films.

Thirdly, in an apparent realization that very low-budget films (less than \$300,000) receive insufficient distribution and lack box office appeal to financially sustain the movie-maker, the CFDC appears to have turned its focus on higher-budget pictures. As shown in Table II-8, in 1974-75, of the 12 English production feature films supported by the CFDC, 9 were under a \$300,000 budget and only one exceeded \$500,000. In 1976-77, only one film under \$500,000 received CFDC support, while 8 films had budgets in excess of \$500,000. As shown elsewhere, the average cost of production of American films is approximately \$3 million. Canadian producers cannot hope to compete with American films or successfully break into the American market with \$150,000 movies. Even if a particular theme (i.e. violence) is more readily marketable than others, viewers are unlikely to respond to a very poor quality film on the subject. Furthermore, the relative success of films such as "Lies My Father Told Me" and "The Apprenticeship of Duddy Kravitz," two one million dollar films, would appear to

indicate that general drama films of reasonable quality (as well as suspense/terror films) made in Canada can find an international market.

Another recent development has been the CFDC's involvement in the promotion and distribution of Canadian feature films. For the 1975-76 fiscal year the CFDC obtained an additional \$1.2 million to be used for promotion and distribution.³⁵ This has been welcomed by the Canadian film industry. The lack of funds and expertise for promoting and distributing Canadian films domestically has hampered the development of the film industry and it is believed that through improved promotion and distribution Canadian films could do considerably better at the box office both domestically and internationally.³⁶

C. Motion Picture Distributional Infrastructure in Canada

In the film industry the distributor is a vital link between the producer and the exhibitor. In 1974 there were 82 firms engaged in the distribution of films in Canada, working through 142 offices. During that year, 1,006 new films were distributed. Of these, 901 were new feature films consisting of 513 English, 378 French, and 115 films in other languages.³⁷ The country of origin of these films is as follows:

United States	355
France	152
Great Britain	67
Italy	57
Canada	32
Other	<u>238</u>
Total	901

Receipts from the rental of films amounted to \$87.2 million in 1974.³⁸ Theatrical rentals (share of theatre box office going to distributors) totalled \$59.9 million and represented 68.7 per cent of the total film rental receipts. Distributors' receipts from the rental of films to TV amounted to \$20.9 million or 24.0 per cent of total receipts, while the remaining \$6.4 million or 7.3 per cent came from the rental of films for all other non-theatrical use.³⁹

The bulk of theatrical rentals accrue from American films. In both 1974 and 1975 Canada was the largest foreign market for American films. Theatrical rental revenues for U.S. films in Canada totalled \$54.4 million in 1974 (out of a total of \$59.9 million) and increased by 16 per cent in 1975 to \$63.2 million, an all-time peak.⁴⁰ Prior to 1974 Canada generally ranked third in Hollywood foreign markets. It has been

estimated that of the film rental receipts from U.S. film in Canada, approximately 50 per cent is retained in Canada and 50 per cent is returned to the U.S. as royalties for the use of the film.⁴¹

Film distributors in Canada can be grouped into two categories; the majors and the independents. The majors include two Canadian-owned companies and seven foreign-owned distribution companies which together account for approximately 90 per cent of all film rental receipts in Canada.⁴² In some cases there is an interrelationship between these firms. For example, Bellevue Film Distribution conducts most of the business of 20th Century Fox and Walt Disney through Bellevue's regional offices.

Most of the foreign-owned distribution firms are characterized by some form of vertical integration, that is, they are associated with a producing company either through a franchise or a parent company distribution agreement. These distribution firms are consequently engaged in distributing films acquired by the parent company, which also tended to be a source of investment funds for the distribution firm.⁴³ They seldom participate in the distribution of films made in Canada. The major Canadian distributors also generally have distribution agreements with major production companies which provide them with sources of supply. In essence, vertical integration and distribution arrangements make the distributor the marketing agent of films rather than a simple liaison agent between producer and exhibitor. The distributor is the seller of the product and therefore has a vital interest in the quality of films since his revenues are determined by the

success of the product.

Approximately 70 small Canadian independent distributors share 10 per cent of the distribution rentals. They are engaged in distributing Canadian films (including CFDC sponsored films), but rely for the most part on foreign suppliers of films. Unlike the majors, they do not enjoy a guaranteed supply of theatrical films nor do they deal with high-cost feature films.

A variety of producer-distributor arrangements on theatrical films may be identified ranging from the outright purchase from the producer to sharing of rentals. These arrangements will also establish the agreed percentage of payouts to the producer from all sources of revenue in addition to theatrical rentals such as television rights, sequel and remake rights, commercial tie-ins, audio discs and music publishing, etc. Almost invariably the distributor demands editorial powers to use his sole discretion to cut, edit, or dub the original film in any manner he sees fit so that he need not be hampered in later dealings with censorship requirements or television standards.

With respect to the theatrical rentals, except in the rare case of a complete buy-out, the producer may enter into a "gross" deal or a "net" deal—the difference being whether the split is made before or after the distributor's expenses are deducted. These expenses may vary widely and are usually decided solely by the distributor. Included are the costs of making prints of the film, buying advertising, and the costs of preparing all the advertising and promotional materials, and checking the honesty of the box office receipts. A typical

"net" deal would assign 65 to 75 per cent of the balance after expenses to the producer. A "gross" deal would give the producer a much smaller percentage since expenses may well run 20 per cent or better of the total receipts. In this case the producer would probably demand some initial payment "up front" and expect earlier receipts. In either case, the entire management, promotion, and exploitation strategy of the film is usually in the hands of the distributor in perpetuity.⁴⁴ The wise producer has secured all "rights" and indemnities from his collaborators. In turn the wise distributor has secured all these from the producer. He, therefore, "owns" the film, rents it to theatres, and exploits all other possible sources of revenue.

Of the gross box office revenue from film shown in theatres, the Canadian Motion Picture Distributors Association estimates that the distributor receives approximately 33-34 per cent. This share has been increasing in recent years as the distributor has been assuming greater responsibilities in promoting the film (i.e. through advertising). In general, the distributor has been spending approximately 15 per cent of his receipts (film rentals) in promotion. Columbia Pictures, in February 1976, calculated its box office sharing as follows:⁴⁵

Exhibition	62.5%
Production	12.5
Prints & Advertising	11.8
Distribution	7.1
3rd Party Financing	6.0

The contractual arrangements between the distributor and

the theatre owner (or theatre chain) vary even more widely than between producer-distributor. The spectrum extends from "four walling" which implies the distributor rents the theatre for a generous fee, pays for all the local promotion and takes the entire box office, to a complete "buy-out" which indicates the distributor receives a flat fee from the theatre owner for use of the film for a certain period of time within a stated territory. The theatre owner pays for the promotion and collects all the receipts. Most deals are contracted on some sliding scale of percentages depending on the degree of success of the film. Initially the theatre owner is paid the higher percentage, e.g. 60 per cent until he has recovered his "nut" (fixed overhead costs). Subsequently the distributor's share might rise to 70 per cent. Whether provided for or not in the contract, most deals are open to re-negotiation to protect the theatre owner from a disaster and maintain the distributor's good will. Many "block busters" like Jaws are distributed on a 90-10 basis, i.e. the distributor gets 90 per cent of the ticket receipts but only after a fee for use of the theatre has been deducted. This type of marketing may include such features as exclusivity to a particular theatre, pre-release before general release, reserved seats, raised admission prices, and limited showings.⁴⁶

Block-booking of feature films, a policy which forced an exhibitor to take less attractive films in order to receive highly successful films as well, has been largely abandoned since the mid-Sixties. In the U.S., it was general practice until 1947, when the studios were forced by law to divest themselves of their theatres. This coincided with a decline in film production which meant there was no longer a surplus

to be marketed. However, it is still a factor in television booking where "packages" consisting of serials, feature films, either hits or duds, are distributed to TV networks and stations.

The cost of promotion of films through advertising and other publicity may well equal or exceed the actual cost of production. Distributing firms generally employ film promoters or marketing experts. The promotion of a film may begin in the very early stages of production to arouse public interest in the film prior to its release. This is frequently the practice in the U.S. and two recent, notable examples are "Jaws" and "King Kong" (the production of which was featured in an October 1976 issue of Time magazine prior to its release). On the other hand, marketing considerations may be left to the end, as is the case of most Canadian productions. In Canada frequently both distributors and exhibitors contribute to the advertising of newly released films on a co-operative basis—the amount dependent on their assessment of the promotional qualities of the film and its expected gross. Frequently the theatre owner decides which media should be used in his locality.

Two types of release methods for film may be employed, namely; the standard release method and the showcase method. The former is generally applied to films with good potential which have been publicized prior to release and are sure to be hits with little further publicity or low-key publicity ("The Godfather" is a prime example). Such a film is released in only one prime located first run theatre in key movie centres such as New York, Chicago, and **Los Angeles**. In Canada,

a new English language product is tried out in Toronto; a French language product in Montreal.

The showcase method is applied to a high budget, frequently star-studded film whose potential is questionable. It is preceded with a barrage of publicity and hard sell marketing techniques and shown in a large number of theatres and cities at the same time with the intent of attracting as large an audience as possible over a very short period. The objective is to recoup most of the production costs in a short period before adverse publicity sets in ("Missouri Breaks" could fit this category).

While newspapers have been generally used as the major medium of advertising, both radio and television may be extensively used depending on the particular marketing strategy determined for the film.⁴⁷ With the rise of smaller and multiple theatres, and the simultaneous release in many theatres within a broadcast coverage pattern, television has been assuming a greater role particularly with respect to the more violent and sensational films which lend themselves to brief synopses dealing with these aspects. From time to time, serious questions have been raised about the style or explicitness of the advertising associated with some films. Newspaper ads have been refused or censored on occasion. Television commercials for Restricted and Adult films which may closely suggest or reflect the content of the film are run indiscriminately throughout the broadcast day. Regardless of which fraction of the public may wish to pay to see these films, everyone is involuntarily exposed to the promotional activities.

There does not appear to be a particular rule concerning

the amounts spent to promote a film and its initial cost. Some of the largest campaigns have been mounted for low budget films, e.g. "Billy Jack" and frequently for those of little sustaining merit. One of the problems that Canadian producers who are outside the major distribution/exhibition system face is the difficulty of funding promotional campaigns in the mass media. Their restricted budgets leave little if anything beyond production costs. This problem is overcome to some extent if backing is received from a Canadian or American major distribution company but the price usually conforms to the company's requirements.

D. Motion Picture Theatres in Canada

1. Some Trends

During 1974 there were 1,423 motion picture theatres in Canada of which 1,116 were regular motion picture theatres^{4 6} (a decrease of 19 from 1973) and 307 were drive-in theatres. Total receipts were \$172.7 million, of which \$149.7 million or 86.6 per cent accrued to regular theatres and \$22.9 million or 13.2 per cent went to drive-ins. Of the total number of paid admissions of 90.4 million, regular theatres and drive-ins accounted for 79.0 million and 11.4 million respectively (Table II-9).

Table II-10 shows the composition of total receipts by source for regular motion picture theatres in Canada in 1974. Receipts from admissions represented 84.6 per cent of the total, while the sale of candy, soft drinks, cigarettes, et cetera accounted for 15.3 per cent of the total receipts.

Table II-11 shows the principal statistics for motion picture theatres in Ontario for selected cities in 1974. There were 285 establishments, with a seating capacity of 205.8 million of which the average capacity utilized was 16 per cent, the same as for Canada as a whole. The high capacity utilization in Ottawa probably reflects in part the relatively small capacity per capita and the demographics of the movie audience (for example, the higher the income level, and the higher the education level, the greater the incidence of movie attendance).

Table II-12 highlights some of the trends relating to motion picture theatres in Canada over the period 1948-1974. The data show a considerable decline in the number of regular motion picture theatres and in the number of paid admissions

TABLE II-9
MOTION PICTURE EXHIBITION IN CANADA, 1974

<u>Item</u>	<u>Total all Theatres</u>	<u>Regular Theatres</u>	<u>Drive-in Theatres</u>
Theatres	1,423	1,116	307
Receipts from admissions (\$000)	172,683	149,720	22,963
Amusement taxes (\$000)	12,784	11,184	1,600
No. of paid admissions (\$000)	90,392	79,020	11,372

Source: Statistics Canada, Motion Picture Theatres and Film Distributors, 1974 (Ottawa, 1976).

TABLE II-10
 RECEIPTS OF MOTION PICTURE THEATRES BY SOURCE, 1974
 CANADA

<u>Source of Receipts</u>	\$ (000)	%
Admissions (excl. taxes)	149,720	78.7
Amusement taxes	11,184	5.9
Sale of candy, drinks, cigarettes, etc.	27,259	14.3
Rental revenue from concessions and vending machines	270	.1
Revenue from showing commercial films	62	--
Other revenue	<u>1,764</u>	<u>.9</u>
Total	190,259	100.0

Source: Statistics Canada, Motion Picture Theatres and Film Distributors, 1974 (Ottawa, 1976)

TABLE II-11

DATA ON MOTION PICTURE THEATRES IN ONTARIO, 1974

	<u>Establishments</u>	<u>Seating Capacity (000)</u>	<u>Receipts From Admissions (\$ Mil)</u>	<u>No. of Paid Admissions (000)</u>	<u>Average Capacity Utilized %</u>
<u>Ontario</u>	285	205.8	56.1	30.1	16
Toronto	67	57.1	19.7	9.8	15
Hamilton	14	10.9	3.4	1.7	17
Ottawa	11	9.2	4.6	2.3	23
London	8	6.3	2.3	1.1	14
Windsor	7	7.0	1.9	.9	10
Oshawa	5	4.0	1.1	.6	18
Sault Ste. Marie	5	3.1	.6	.4	13
Other places	168	108.2	22.5	13.3	16

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Source: Statistics Canada, Motion Picture Theatres and Film Distributors, 1974 (Ottawa, 1976)

TABLE II-12

HISTORICAL STATISTICS OF MOTION PICTURE THEATRES^a

1948-1974

<u>Year</u>	<u>Establishments</u>	<u>Receipts From Admissions (excluding taxes)</u>	<u>Paid Admissions</u>
		\$ million	million
1948	1,604	68.7	219.3
1949	1,731	77.4	229.3
1950	1,801	82.7	231.7
1951	1,808	91.0	239.1
1952	1,843	98.9	247.7
1953	1,906	100.9	241.2
1954	1,938	97.0	218.5
1955	1,950	86.3	185.0
1956	1,849	80.7	162.9
1957	1,716	76.4	146.8
1958	1,622	75.1	136.3
1959	1,515	68.3	118.6
1960	1,427	65.5	107.7
1961	1,341	62.2	97.9
1962	1,278	60.9	91.3
1963	1,245	63.8	88.0
1964	1,209	69.3	90.9
1965	1,171	75.4	89.1
1966	1,149	83.0	87.7
1967	1,156	90.8	85.5
1968	1,148	99.0	84.9
1969	1,157	102.3	78.9
1970	1,156	111.7	80.8
1971	--	--	--
1972	1,128	122.5	81.2
1973	1,135	129.9	77.4
1974	1,116	149.7	79.0

^aExcluding drive-in theatres.

Source: Statistics Canada, Motion Picture Theatres and Film Distributors, 1974 (Ottawa, 1976).

since the early 1950's. The number of establishments has decreased from a high of 1,950 in 1955 to 1,116 in 1974, while the number of paid admissions dropped from a high of 247.7 million in 1952 to a low of 77.4 million in 1973 (reflecting the influence of television and probably the increased variety of choices for allocating leisure time) then rose to 79.0 million in 1974. This is a substantial market loss, particularly in light of the population growth over the same period. Receipts from admissions fell between 1953 (\$100.9 million) and 1962 (\$60.9 million), when attendance fell dramatically, and then gradually increased to stand at 149.7 million in 1974, reflecting increasing admission charges and obviously a relatively low price elasticity of demand. A comparison with drive-in theatres for the same period shows that the number of these theatres increased steadily from 15 in 1948 to 242 in 1955, remained relatively stable to 1967, and then started to increase again to stand at 307 in 1974. Paid admissions at drive-ins fluctuated between 9 million and 12 million between 1955 and 1974 and stood at 11.4 million in 1974.⁴⁹

Theatres have attempted to meet the problems of diminishing audiences and large unused capacity by introducing multi-screen auditoriums. Large theatres were divided into two or more smaller theatres, enabling theatre owners to reduce the average cost per screen by more efficient use of staff. In addition, exhibitors could extend film engagements by transferring a film from a large auditorium after a few weeks showing to a smaller auditorium in response to the decreasing audience.

As explained elsewhere in this study, the sharing arrangements of the gross box office between exhibitor and distributor vary. Generally, the exhibitor's share tends to be smaller for a movie with a reputation or potential for drawing audiences but, when a movie does draw big, the result is usually a reasonably good profit. Unfortunately, theatre owners claim that very big draws are few and far between and there has been a lack of good movies in recent years.⁵⁰ In 1975 such exceptional box office draws as "Jaws," "Earthquake," "Towering Inferno," and "Shampoo" helped bring the earnings of Famous Players Canada Ltd. up over 54 per cent of 1974 earnings.⁵¹

2. Major Exhibitors

There are two major theatre chains in Canada and they are subsidiaries of foreign companies. These are Famous Players Ltd., of which 51.5 per cent is owned by the U.S. conglomerate Gulf and Western, and Odeon Theatres (Canada) Ltd. which is 100 per cent owned by Rank Organization of England. Together these chains controlled 63 per cent of the gross earnings of the Canadian theatrical film market in 1973. In Ontario these two companies controlled 62.3 per cent of Ontario's movie theatres (increased from 44 per cent in 1963), including the most profitable theatres. The most profitable theatres are generally located in the larger urban centres. In 1974 Famous Players and Odeon controlled approximately 78 per cent of the auditorium theatres located in urban centres with populations in excess of 35,000.⁵²

The major distributors listed earlier frequently tend to align themselves with either one or both of these chains.

For example, Famous Players currently takes 100 per cent of the films distributed by Paramount, Warner Brothers, and United Artists, one-third of Universal and two-thirds of 20th Century Fox.⁵³ Since these distributors are either U.S. subsidiaries or U.S. distributors operating through a Canadian distributor, the source of supply of films for Famous Players is primarily the U.S. Apparently a similar situation exists with Odeon. It has been argued that the films of Canadian producers, who are for the most part independent of this distribution/exhibition system, do not enjoy the same treatment as foreign films which are part of the system. Some producers have charged that Canadian-made films are discriminated against by the two major exhibition chains. At the same time, small independent exhibitors have charged that the major distributors in Canada have refused to rent to them good quality first-run films because of their alignment with Famous Players or Odeon.⁵⁴ The counter-argument is that distributors and exhibitors will seek Canadian films in the same way they do foreign films if they believe that they have box office potential. This position has been verified by some of the more successful Canadian producers who have indicated that they have encountered no difficulty in having their films exhibited in Canadian theatres.⁵⁵

Both Famous Players and Odeon have come to an agreement with the Secretary of State on a system of voluntary exhibition quotas for Canadian film. The initial agreement in 1973 was for these theatre chains to provide a minimum of two weeks screening time for each major English language feature film in Canada's three largest cities of Toronto, Montreal, and Vancouver. Between August 1973 and March 1975, Famous

Players showed 11 Canadian films for a total running time of 928 weeks, while Odeon ran 9 films for a total of 87 weeks.⁵⁶ Under the terms of the more recent arrangement, Famous Players and Odeon agreed to exhibit Canadian feature films for 4 weeks a year in every theatre which they own or control.⁵⁷ Smaller theatre chains are not included in the agreement.

Some exhibitors in Canada are engaged in funding part of the production costs of Canadian films. From 1970 to January 1976 Famous Players and its subsidiaries invested a total of \$2,826,000 in films made in Canada. Of this total, \$1,520,509 was invested in French language productions and \$1,305,491 in English language productions. As of January 1976, Famous Players realized a return or income on this investment of \$554,000.⁵⁸ In the English language productions, the amount ranged from a low of \$15,000 to a high of \$107,000. The average amount per film was approximately \$50,000 in films costing an average of \$500,000.

TABLE II-13
UNITED STATES
AGE OF MOTION PICTURE AUDIENCES, 1976

<u>Age</u>	<u>Percent of Total Yearly Admissions</u>	<u>Percent of Population</u>
12-15 years	14	10
16-20 years	31	12
21-24 years	15	9
25-29 years	16	10
30-39 years	13	15
40-49 years	5	13
50-59 years	3	13
60 and Over	<u>3</u>	<u>18</u>
	<u>100</u>	<u>100</u>
12-17 years	20	15
18 and Over	80	85

Source: Opinion Research Corporation, Incidence of Motion Picture Attendance, Study for the Motion Picture Association of America, 1976.

TABLE II-14

UNITED STATES

FREQUENCY OF MOTION PICTURE ATTENDANCE BY EDUCATION, 1976

	Age 18 and Over		
	<u>Some College</u>	<u>High School Complete</u> (%)	<u>Less Than High School</u>
Frequent (once a month)	29	25	12
Occasional (Once in 2 to 6 months)	32	28	11
Infrequent	15	16	14
Never	24	32	64

Source: Opinion Research Corporation

TABLE II-15

UNITED STATES

FREQUENCY OF MOVIE ATTENDANCE BY FAMILY INCOME

<u>Family Income</u>	<u>Frequent or Occasional Attendees in Total Public</u>
\$15,000 & over	64
\$7,000 - \$14,999	49
Under \$7,000	29

Source: Opinion Research Corporation

TABLE II-16
UNITED STATES
FREQUENCY OF MOVIE ATTENDANCE BY SEX, 1976

<u>Attendance</u>	<u>Age 12 and Over</u>	
	<u>Male</u>	<u>Female</u>
	(%)	
Frequent	28	22
Occasional	<u>24</u>	<u>23</u>
	52	45

Source: Opinion Research Corporation

E. Demographics of Motion Picture Audiences

1. United States

Tables II-13 to II-16 reveal some highlights of the latest U.S. demographic study on movie audiences undertaken by the Motion Picture Association of America (MPAA). Among the highlights are the following:⁵⁹

- a) The teenage (12-17) share of total admissions is 20 per cent, reflecting a continuing drop from a share which long stood at 25 per cent or more. (In 1973 the teenage share was 26 per cent.)
- b) The age group 12-29 accounted for 76 per cent of total admissions (but only 41 per cent of the population), while the age group 12-39 accounted for 89 per cent of admissions (and 56 per cent of the population). The group 40 years and over shared 11 per cent of total admissions (and 44 per cent of the population).
- c) There is a correlation between education and film attendance (Table II-14). The more education, the more film-going. Among those with some college education, 61 per cent were frequent or occasional film-goers, while only 23 per cent of those with less than high school education were frequent or occasional film-goers.
- d) The higher the family income, the more frequent the film-going (Table II-15).
- e) Slightly more males age 12 and over attend films frequently than females (Table II-16).
- f) The total number of movie-goers went up slightly from 107.3 million to 109.0 million from 1975 to 1976. Since 1969 movie-goers increased by 15 percent.

2. Canada

Some of the characteristics of the movie audience in Canada are illustrated in Tables II-17, II-18 and II-19.⁶⁰ The most prominent characteristics illustrated include the following:

- a) Approximately 35 per cent of the population attended at least one movie during the months of January, February and March 1972. Approximately 36 per cent attended occasionally, 42 per cent attended regularly, and 22 per cent attended frequently (Table II-17).
- b) The teenage (14-19) group comprised 29 per cent of total number of movie-goers. The age group 14-34 accounted for 69 per cent of the audience while the group 14-44 accounted for 83 per cent of the audience (Table II-17).
- c) The teenage group was shown to comprise 40 per cent of those who attended movies frequently, yet only 30 per cent of the teenage group reported that they attended frequently. The majority of movie-goers over 44 years of age only attended occasionally.
- d) The higher the education, the more film-going. Fifty-seven per cent of those with a university degree attended movies while only 16 per cent without any secondary education attended. In addition, about two-thirds of those with at least some secondary education who went to movies attended either regularly or frequently. Of those who attended movies, the largest group was the one possessing some secondary education (41 per cent), and of those who attended frequently, this group accounted for the largest proportion (42 per cent) (Table II-18).

TABLE II-17

DISTRIBUTION OF MOVIE AUDIENCE AND FREQUENCY OF ATTENDANCE BY AGE GROUP

CANADA

Age	% of Age Group Attending Movies	Distribution of movie attendance Age groups as % of total population 14 years of age and over attending movies			Frequency of movie attendance % of age group		
		Occasional	Regular	Frequent	Occasional	Regular	Frequent
14-19	59	22	30	40	27	43	30
20-24	60	12	18	26	25	43	32
25-34	43	23	23	19	38	43	19
35-44	31	19	14	8	47	40	12
45-64	20	21	14	7	52	38	11
65+	7	3	2	1	53	38	9
Total	35	100	100	100	36	42	22

TABLE II-13

DISTRIBUTION OF MOVIE AUDIENCE AND FREQUENCY OF ATTENDANCE BY EDUCATION

CANADA

Education	% of educ. group attending movies	Distribution of movie attendance Educational group as % of total population			Frequency of movie attendance % of educ. group		
		Occasional	Regular	Frequent	Occasional	Regular	Frequent
Under Grade 9	16	18	12	12	45	36	19
Secondary Not Complete	40	41	40	42	36	41	23
Secondary Complete	46	20	22	21	34	44	22
Some Post- Secondary	52	15	17	17	33	44	24
University Completed	57	7	9	8	32	47	21
Total	35	100	100	100	36	42	22

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Source: Secretary of State, A Leisure Study - Canada 1972 (Ottawa, 1973)

TABLE II-19

DISTRIBUTION OF MOVIE AUDIENCE AND FREQUENCY OF ATTENDANCE BY OCCUPATION

CANADA

Occupation	% of occup. group attending movies	Distribution of movie attendance Occupational groups as % of total population			Frequency of movie attendance % of occup. group		
		Occasional	Regular	Frequent	Occasional	Regular	Frequent
Unemployed	39	1	2	2	29	45	26
Managerial	38	6	5	4	41	41	17
Professional	54	9	11	10	33	45	23
White Collar	44	19	22	23	32	44	24
Blue Collar & craftsmen	34	19	16	19	38	38	24
Resource ind. workers	23	3	3	3	41	39	20
Housewives	25	23	17	9	48	40	12
Students & others	38	20	26	30	30	42	28
Total	35	100	100	100	36	42	22

Source: Secretary of State, A Leisure Study - Canada 1972 (Ottawa, 1973)

- e) In terms of the occupation of those attending movies, students formed the largest group (24 per cent), followed by white collar workers (21 per cent), blue collar workers and craftsmen (18 per cent), and housewives (17 per cent). Professional people accounted for only 10 per cent of movie-goers, yet 54 per cent of this group attended movies compared to 38 per cent for students. Twenty-eight per cent of students attended frequently, followed closely by the unemployed (26 per cent). The frequency of attendance of housewives was the lowest (12 per cent) of all occupations. Almost half of this group attended only occasionally.

F. Summary

Violence, and violence combined with sexuality and profanity, has become increasingly common in feature films in the past several years as is evidenced by the trend in film ratings. Theatrical feature film is in competition with television and to encourage theatre attendance, movie-makers believe that they must offer something different than that shown on TV. There is a belief that films must play to the emotions, arouse excitement, generate fear, and shock audiences. Movies are not directed to the elderly, who form only a small proportion of the movie audience, as film audience demographics reveal, but to the younger generations who are more likely to respond favourably to the sensationalism that these films attempt to generate. Consequently graphic violence, gruesome physical conflict and death, sexuality, profanity, etc. which are treated with caution and reservations on TV, are extensively and intensively exploited in theatrical film. The only restraining forces are film censor boards and the obscenity provisions of the Criminal Code.

Comedies, family-type action/adventure, drama, and traditional romance themes can still be found in feature films but are declining. These themes have traditionally been a more standard fare for TV and would appear to be less versatile for the differentiation purposes that theatrical movie-makers seek in competition with TV. It would appear that more can be done with themes of violence to attract and hold audience attention or interest. There is a feeling among movie-makers that the violence film, though not necessarily less expensive, is a relatively "safer" one for low-budget productions and is

also easier to produce. Action/adventure and romance films require a good story; comedies generally require good scripts and good acting; drama generally involves character involvement and development and emotional and intellectual conflict. Violence, or physical conflict, on the other hand, may be portrayed in a variety of ways, without star performers, and frequently even with weak scripts or stories—a thin thread of continuity to hold violent episodes or scenes together may suffice.

There is no simple, consistent relationship between film themes, costs of production and box office receipts. There are too many variables involved in these relationships to permit a meaningful isolation and analysis of them. Films depicting violence have generally done reasonably well at the box office and these include both high-budget and low-budget films. If movie-makers believe that violence is what people wish to see and production of such films is on the whole profitable, then they will be supplied. Market forces and the profit motive will prevail. And until public tastes change and are reflected in significant audience reductions, or movie-makers perceive tastes to be changing, it is unlikely that there will be any significant change in the nature of films and the direction that themes have gone in recent years.

The Canadian film industry is very small as is the Canadian film market. It is highly unlikely that the industry, if confined to the domestic market, can develop to produce major feature films and do so profitably. Most Canadian films are low-budget, averaging less than \$1 million in comparison to the U.S. average of \$3 million. These films must compete with

U.S. films both domestically and internationally. Canada and the U.S. are practically a common market for U.S. films. Audience demographics and tastes appear to be similar. U.S. producers and distributors have established subsidiaries in Canada for the distribution and exhibition of films. The major distributors and exhibitors in this country are foreign owned and controlled and they are assured of a ready source of supply of films. While there is a continuous flow of films from the U.S. to Canada, the flow of Canadian films to the U.S. in comparison is almost non-existent, partly from the lack of many Canadian produced films and partly due to distribution difficulties. To break into the U.S. market as well as compete with U.S. films domestically, Canadian producers have found it necessary to follow the Hollywood format and success themes which Canadian and U.S. audiences are accustomed to and appear to prefer. And this has included themes of violence, horror, and sexuality, and restricted-audience films.

ENDNOTES

¹The average cost of films financially assisted by the Canadian Film Development Corporation in 1975-76 was approximately \$600,000. CFDC, Annual Report, 1975-76.

²This was the position put forward by Ken Rosenberg, CRTC, Variety, Nov. 24, 1976, p. 32.

³Prof. Garth Drabinsky estimated this ratio to be approximately 5 to 1. See Garth Drabinsky, Motion Pictures and the Arts in Canada (Toronto: McGraw-Hill, 1976), p. 151. Producer Harry Gulkin estimated that his film "Lies My Father Told Me" (cost \$1.2 million) had to gross between \$6 million and \$8 million at the box office before it could start to pay off investors, Boxoffice, Mar. 22, 1976. Another producer estimated that the break-even ratio of box office revenue/costs of production was as high as 10 to 1.

⁴Hollywood Reporter, Jan. 28, 1976.

⁵Globe and Mail, Dec. 7, 1976.

⁶Ibid.

⁷Los Angeles Herald Examiner, May 28, 1972.

⁸Time, Jan. 3, 1977, p. 58.

⁹Ibid.

¹⁰Women's Wear Daily, July 18, 1974.

¹¹Newsweek, Nov. 8, 1975.

¹²Time, Oct. 27, 1975.

¹³Los Angeles Herald Examiner, May 28, 1972.

¹⁴International Motion Picture Almanac, 1976.

¹⁵Ibid.

¹⁶This is primarily the same list as that analyzed in the study by Prof. J. Linton and Dr. G. Jowett.

¹⁷Data on rental revenues for films are used rather than box office because they are more readily available and more reliable than box office data.

¹⁸New York Times, Nov. 28, 1975.

¹⁹An example is the publicized difficulty producer Dino de Laurentis had in finding financial backers for his \$24 million film "King Kong." See Time, Oct. 25, 1976.

²⁰Boxoffice, Nov. 8, 1975.

²¹Los Angeles Herald Examiner, Jan. 25, 1975.

²²Statistics Canada, Motion Picture Production, 1974 (Ottawa, 1976).

²³See sections on distribution and exhibition.

²⁴Financial Times of Canada, Nov. 1, 1976, p. 34.

²⁵The Toronto Star, Nov. 1, 1976, p. D5.

²⁶Macleans, Nov. 1, 1976, p. 46.

²⁷Currently, Cinemedia and Columbia are working towards the production of Bethune, a \$6,000,000-\$7,000,000 co-production with Cinemedia raising \$3,000,000 (including 15 per cent from the CFDC). One-third of the picture is to be filmed in Canada. Variety, Nov. 24, 1976, p. 30.

²⁸It would appear that a Canadian film distributed by an American distributor in the U.S. is sometimes not identified as Canadian. Take the case of "Lies My Father Told Me," a film distributed by Columbia Pictures which won a number of international awards: "The awards brochure only listed 'Lies' as being from Columbia Pictures . . ." Boxoffice, Mar. 22, 1976.

²⁹Variety, Nov. 24, 1976, p. 50.

³⁰Variety, Nov. 29, 1976, p. 50, and the Council of Canadian Filmmakers, Toronto, Ontario.

³¹Macleans, Nov. 1, 1976, p. 54.

³²Variety, Nov. 24, 1976, p. 51.

³³Bureau of Management Consultants, Film Study Report, 1976, p. 184.

³⁴CFDC, Annual Report, 1975-76.

³⁵Ibid.

³⁶Variety, Nov. 24, 1976, p. 31 and p. 60.

³⁷Statistics Canada, Motion Picture Theatres and Film Distribution, 1974. Statistics Canada does not show the total number of films (including those released in previous years) distributed nor does it provide a breakdown of the number distributed to television.

³⁸Most of this originated from the distribution of feature films involving outlays in excess of \$2 million.

³⁹Statistics Canada, Motion Picture Theatres and Film Distribution, 1974.

⁴⁰Variety, Sept. 1, 1976.

⁴¹Canadian Motion Picture Distributors Association. See also Department of Supply and Services, Film Study, p. 268.

⁴²These companies are as follows:

Canada-owned

Astral Films Ltd. (subsidiary of Astral-Bellevue-Pathe)
(also represents J. Arthur Rank and Avco Embassy plus independents.)
Bellevue Film Distribution (also represents 20th-Century Fox
and Walt Disney).
International Film Distributors Ltd. (represents independents).

Foreign-owned

Columbia Pictures of Canada
Paramount Pictures Corporation (Canada) Ltd.
Twentieth Century Fox Corporation
United Artists Corporation (MGM Canada Ltd.)
Universal Films (Canada)
Warner Brothers Distributing (Canada) Ltd.

See Department of Supply and Services, Bureau of Management Consulting, Film Study Report, 1976, p.257. (With corrections).

⁴³ Ibid., p. 255.

⁴⁴Garth Drabinsky, Motion Pictures and The Arts in Canada
(Toronto: McGraw-Hill, 1976).

⁴⁵Canadian Motion Picture Distributors Association statistics.

⁴⁶Drabinsky, Motion Pictures and The Arts in Canada.

⁴⁷ Advertising expenditures for launching a feature film in Toronto:

<u>Film</u>	<u>Dist.</u>	<u>Print</u>	<u>Radio</u>	<u>TV</u>
The Sting	Universal	3,500.00	2,000.00	7,500.00
Airport 75	Universal	3,700.00	2,300.00	7,500.00
Earthquake	Universal	5,600.00	--	7,500.00
Serpico	Paramount	5,000.00	2,300.00	3,000.00
The Great Gatsby	Paramount	9,300.00	3,700.00	4,650.00
Godfather II	Paramount	11,900.00	3,700.00	6,530.00

Source: Garth Drabinsky, Motion Pictures and the Arts in Canada.

⁴⁸Establishments having more than one auditorium are shown as single establishments in the Statistics Canada data. For 1974, the 1,116 establishments reported a total of 1,231 auditoriums.

⁴⁹Statistics Canada, Motion Picture Theatres and Film Distributors, 1974 (Ottawa, 1976).

⁵⁰Victor Beattie, Canadian General Manager of Twentieth Century Fox Distributors has stated: "Ten years ago, some 400 films were released. These days fewer than 200 top-draw films are being produced each year." Financial Times, "The Decline of Canadian Movie Theatres," Perspective On Money, Sept.-Oct. 1976, p. 19.

⁵¹George Destounis, the President of Famous Players Canada Ltd. has suggested that most theatres would probably not be able to survive without their confectionary concessions. Ibid., p. 18.

⁵²The Council of Canadian Filmmakers, presentation to the Royal Commission on Corporate Concentration, February 20, 1976.

⁵³Ibid. See also Department of Supply and Service, Film Study, pp. 278-279.

⁵⁴Rocco Cinemas Ltd., an independent Canadian film exhibition chain operating in New Brunswick and Nova Scotia, has taken legal action charging the major distributors with discrimination. In a press release, Rocco stated:

In Halifax . . . all the major distributors have refused to offer us a single first run film, good or bad . . . Two distributors told us they had an arrangement with Famous Players Ltd. or with Famous and Odeon Theatres (Canada) Ltd. whereby all their films would be played by their distributors.

Rocco went on to state:

. . . Canadian-made films are unable to find theatres to exhibit their product. Famous Players and Odeon contend that the reason is that Canadians do not make movies that are successful at the box office. Yet we played many Canadian-made movies that Famous Players and Odeon rejected for 14 out of 52 weeks in our theatre in Saint John in our first year of operation, and we made money on all the films except one. In fact, the profit we made from these Canadian films was greater than the profit from most of the pictures of all the major distributors.

See the Council of Canadian Filmmakers presentation to the Royal Commission on Corporate Concentration, Feb. 20, 1976.

⁵⁵This was the position of officials at Cinepax Ltd. in Montreal, producers of such reasonably successful films as "Shivers" and "Death Weekend."

⁵⁶CFDC, Annual Report, 1974-75.

⁵⁷CFDC, Annual Report, 1975-76.

⁵⁸Statement by Famous Players Ltd.

⁵⁹The study consisted of a sample survey conducted for the Motion Picture Association of America by Opinion Research Corporation, Princeton, N.Y. during the period July-August 1976. Interviews were held with 2,164 adults (age 18 and over) and 455 teenagers (age 12-17) for a total sample size of 2,532 persons. Projections to the total population were based on Census Bureau estimates for the total population. Opinion Research Corporation, Incidence of Motion Picture Attendance, Study for the Motion Picture Association of America, 1976.

⁶⁰The source of the data in these tables is a survey conducted by the Department of Secretary of State with the cooperation of Statistics Canada. The sample in the survey was a very large one (50,000) that the results may be considered to be a reasonably close approximation of the actual situation. See Secretary of State, A Leisure Study - Canada, 1972 (Ottawa, 1973).

CHAPTER III

TELEVISION

A. Network Programming and Program Production In The United States

1. Economic Factors In Network Programming

The objective of TV networks and stations is not to produce programs but to produce audiences. These are sold to advertisers who seek mass audiences. The advertiser, however, is interested in more than just the size of the audience; he is also interested in the demographics of the audience (age, sex, income, etc.). The objective is to reach and maximize that segment of the audience which may have an interest in his product or in which an interest may be stimulated.

In seeking audiences, the television networks are in keen competition with one another. The television industry, with its relatively few networks, can be classified as an oligopoly—an industry in which there are only a few large producers, producing similar or closely substitutable products. The close substitutability of the products results in very intensive competition and rivalry between producers. Frequently, actions of one producer will result in reactions and adjustments by others in battle to retain their relative competitive positions. In oligopoly, the total demand or market is relatively constant and if the sales of one oligopolist increases, the sales of his competitors can be expected to decrease in an offsetting way. The producers are furthermore aware that any

action taken by one will bring reactions by competitors. If producer A markets a new, differentiated product and it is successful in the market, producers B and C will imitate A by producing similar products or close substitutes in an attempt to maintain their shares of the market. Producer A, therefore, may find that the increase in his share is only temporary. In addition to fear of retaliation, the uncertainty of consumer response to a highly different product is also a factor in an oligopolistic industry. Large increases in inputs (costs) to vastly change the character or quality of the product are generally avoided because of the uncertainty of market response, together with the fear of retaliation by competitors if market response is favourable.

TV networks or stations operate under a cost constraint in that there is generally a fixed level of aggregate advertising revenue (for which television must compete with other communications media). It is generally assumed that the long-run objective is to maximize profits, that is, the difference between advertising revenue and cost. Obviously, the larger the audience that a TV program can attract, the more revenue it can generate from advertisers. The TV station will therefore attempt to obtain the maximum audience for any given cost. TV networks have a general knowledge of the size of the potential audience during the various viewing periods of the day and engage in rating their own and their rivals' program audiences. In its programming, a network or station will offer that type of program which will attract the largest audience given the cost constraint. Consequently certain types of programs are presented in certain time periods, and certain types are

presented frequently (i.e. light entertainment) while others (i.e. ballet and opera) are rarely shown. A network or station will offer a similar type of program as other networks if it is shown that its share of the audience is larger with this type of program than it would be if a different type of program, with approximately the same cost, were chosen. Successful programs will be imitated by rival networks and furthermore, each network itself will produce duplicates or "spin-offs" of a successful program type. The result is very little diversity. Furthermore, a network will generally avoid large increases in costs to try to improve quality, or radical seasonal changes, in attempts to increase its share of the audience, first because of the uncertainty of audience response, and secondly because any large increase in the share of one will likely only be temporary as rivals will make corresponding adjustments. Large increases in costs by all networks may increase the total audience in a given time period, but the increase in the share of each network may be small relative to the cost increase and therefore uneconomical. There are more likely to be small marginal input increases or seasonal changes in program content by each network as each tries to keep even with its competitors or tries to keep slightly ahead.¹

In summary, the oligopolistic nature of the TV industry leads to:

- a) lack of diversity in programming in a particular time period (i.e. a few program types dominate prime time);
- b) homogeneity in program scheduling (i.e. the contents of the schedule of one network is not markedly different from that of another);

c) relative stability in programming from one season to the next.

In the following sections each of these oligopolistic tendencies are examined in greater detail, with particular reference to the violence content in TV programs.

2. Classification of Network Prime-Time Programs

For purposes of analysis, prime-time TV programs have been grouped into eight categories. These are:

a) Police/detective. This category includes all police and detective series. It is characterized by conflict leading to violence and death, and is considered to have the most violent content of all categories (i.e. "Kojak," "Baretta").

b) Situation-comedy. The emphasis is on the characters in the program and the situations in which they find themselves (i.e. "All In The Family").

c) Action/Adventure. This category includes family action/adventure type programs ("The Waltons," "Little House on the Prairie"), as well as fast paced physical action, excitement, and conflict, some of it violent (the "bionic" series, "Spencer's Pilots," etc.).

d) Drama. In this category the stress is on non-violent conflict of an intellectual or emotional rather than physical nature (i.e. the medical drama "Marcus Welby").

e) Movie. Includes movies made for TV and theatrical film features, and may be violent or non-violent.

f) Variety. Included in this group are musical/comedy varieties (i.e. "Sonny and Cher," "Carol Burnett Show").

g) Sports.

h) Other. This category consists primarily of documentary/public affairs programs and special event programs (i.e. "60 Minutes," "The Big Event").

Of these categories of TV programs, the police/detective and some of the movies could be considered to contain the greatest amount of violent content in the explicit or graphic sense. The violence that may appear on the action/adventure programs is generally more muted with very few explicit scenes of shooting or killing (except for a program such as "The Quest" which was recently rated as among the most violent of all programs). It is extremely difficult to compare programs for their violent content as violent scenes must be taken within the context of the nature of the program. Certainly the old cowboy-westerns were frequently filled with shooting and fist-fighting. But the shooting was long-range with little or no evidence of blood-letting or contorted expressions. To measure or compare violence by simply tabulating the number of gunshots, knifings, fist-fights, automobile hit-and-run scenes, or other acts of a similar nature, may not be very meaningful. On such a basis the "Bugs Bunny/Road Runner Hour," shown for children on Saturday morning could be considered probably the most violent hour on TV, with the poor coyote in the "Road Runner" at the end of countless methods of potential demise. Similarly, the antics of the "Three Stooges" or "Laurel and Hardy" cannot be compared with some of the scenes found in Charles Bronson movies, or the seemingly mindless, eccentric acts of violence in such movies as "Missouri Breaks" and "The Texas Chain Saw Massacre."

Some studies have attempted to build violence indexes to

TABLE III-1

U.S. NETWORK PRIME-TIME SEASON PROGRAMS, 1974-75, 1976-77
PROGRAM DISTRIBUTION BY CLASS OF PROGRAM
(Percentage of Weekly Hours of Programming In Prime Time)

Class of Program	ABC			CBS			NBC			COMBINED NETWORKS		
	74-75	75-76	76-77	74-75	75-76	76-77	74-75	75-76	76-77	74-75	75-76	76-77
Police/ Detective	28.6	31.8	22.7	28.6	27.9	27.3	32.6	34.9	25.0	29.9	31.5	25.0
Situation- Comedy	9.5	13.6	18.2	19.0	25.6	31.8	4.7	9.3	6.8	11.0	16.2	18.9
Action/ Adventure	19.0	18.2	9.1	19.0	9.3	9.1	27.9	27.9	27.3	22.0	18.5	15.2
Drama	4.8	4.5	9.1	9.5	14.0	4.5	4.7	9.3	4.5	6.3	9.2	6.1
Movie	23.8	18.2	18.2	19.0	9.3	9.1	25.6	18.6	25.0	22.8	15.4	17.4
Variety	4.8	4.5	13.6	4.8	14.0	13.6	--	--	4.5	3.1	6.2	10.6
Sports	9.5	9.1	9.1	--	--	--	--	--	--	3.1	3.1	3.0
Other	--	--	--	--	--	4.5	4.7	--	6.8	1.6	--	3.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE III-2

TV NETWORK PRIME-TIME PROGRAMMING: SEASONS 1974-75, 1975-76, 1976-77
DIVERSITY, HOMOGENEITY, AND STABILITY INDICATORS

Indicator	Possible Range	ABC			CBS			NBC			COMBINED NETWORKS		
		74-75	75-76	76-77	74-75	75-76	76-77	74-75	75-76	76-77	74-75	75-76	76-77
Diversity ^a	0-62.5	28.6	31.8	41.9	33.4	32.5	27.3	13.9	18.6	22.7	25.3	33.8	38.7
Homogeneity ^b	0-600										112	168	181
Stability ^c	0-200	14.7	36.5		40.4	21.6		23.2	35.5		25.3	25.9	

^aMeasures the extent to which prime-time is dominated by a few program categories. The higher the score, the greater the diversity.

^bMeasures the extent to which the content of the network schedules resemble one another. The higher the score, the greater the difference between schedules.

^cMeasures the extent to which network schedules change from season to season. The higher the score, the greater the change in schedules.

Source: Table III-1

measure and compare degrees of violence among programs, but the usefulness of such indices remain questionable. Attempts have also been made to rank programs in terms of degrees of violence. Recently the National Citizens Committee for Broadcasting in the U.S. ranked the ten most violent and the ten least violent programs for the six-week period ending July 23, 1976 with the following results:²

Most Violent

1. S.W.A.T.
2. Rookies
3. Sara
4. Sunday Movie
5. Friday Movie
6. Rockford Files
7. Starsky and Hutch
8. MacMillan/Columbo
9. Saturday Movie
10. Joe Forrester

Least Violent

1. Bob Newhart Show
2. Mary Tyler Moore
3. Welcome Back, Kotter
4. Chico and the Man
5. Rhoda
6. Doc
7. The Practice
8. The Waltons
9. Little House on the Prairie
10. Barney Miller

The same study found that of the three major networks in the U.S., NBC had the most violence, followed by ABC and then CBS.

3. Diversity in Network Programming

The percentage of prime-time absorbed by each of the eight categories outlined in the previous section is shown in Table III-1 for each network and for the networks combined for the seasons 1974-75, 1975-76, and 1976-77. From the data in this table diversity indicators have been constructed following the technique of Dominick and Pearce³ and are shown in Table III-2. (The Table also contains indicators constructed to measure homogeneity and stability in programming. These will be discussed later.) The diversity indicator is a

quantitative estimate of the diversity in network programming showing the extent to which prime-time is dominated by a few program categories. It is constructed by summing the percentage of weekly hours of programming in prime-time absorbed by the three top categories per season and subtracting this sum from 100. It can range from zero, which means all content is accounted for by three program categories or fewer, to 62.5, which would show content divided equally into 8 categories. The lower the index, the smaller the range of choices between program types available to the viewers.

As shown in Table III-2, a diversity index has been calculated for each network and for the networks combined. For the latter, the diversity indicator has increased steadily over the past three seasons from 25.3 to 38.7, indicating a trend toward greater diversity and a lesser degree of dominance by a few categories. Interestingly enough, Dominick and Pearce, applying this technique over the 1953-1974 period and using 14 program categories (which means a maximum score of 79), showed a sharp decline in the diversity index from approximately 60 in 1953 to 20 by 1974.⁴ Although the index did fluctuate over short periods (from approximately 25 in 1968 to 40 in 1970) the long-term trend was clear—more and more of prime-time was being devoted to fewer and fewer program types.⁵ Whether the 1974-75/1976-77 period trend is just another short-run fluctuation or the beginning of a reversal of the long-run declining trend is indeterminate.

The diversity indicator for the individual networks also shows a trend towards greater program diversity in ABC and NBC, while the indicator follows an opposite trend for CBS. The

indicators also show NBC to be the least diversified.

For each of the three seasons shown, four categories, namely, police/detective, situation-comedy, action/adventure, and movies have accounted for over 75 per cent of the programs shown during the 8:00 pm to 11:00 pm viewing period by the three networks combined. Each of the networks has concentrated on no more than three of these four types of programs, but for each network, police/detective programs have been consistently more dominant than any other category in the three seasons considered. In the 1974-75 season, the three categories of programs where violence is usually found, namely, police/detective, movies, and action/adventure constituted 71.4 per cent of the content of ABC, 66.6 per cent of CBS, and 86.1 per cent of NBC. In 1976-77 the percentage of content devoted to police/detective programs was reduced by all three networks, the largest decrease being in ABC and NBC. ABC and CBS reduced action/adventure by one-half and also decreased the time allotted to movies. In 1976-77, the three categories accounted for 50.0 per cent of content for ABC and 45.5 per cent for CBS, but continued to constitute a relatively high 77.3 per cent of NBC prime-time content.

4. Homogeneity of Network Schedules

From Table III-1 a homogeneity indicator was calculated to determine the extent to which the content of the schedules of the networks resembled each other. It is constructed by subtracting each network's percentage of time per program category from the percentage of each of the other two and summing the absolute differences. The index can range from

zero, when the schedules are exactly alike, to 600, when the schedules are maximally different from each other.⁶ The homogeneity indicators for the three seasons 1974-75, 1975-76, and 1976-77 are 112, 168, and 181 respectively. While the recent trend is towards greater differences in the content of schedules between the networks, there is still a large degree of homogeneity. Dominick and Pearce showed that the long-run trend, broken by short-run fluctuations, was toward greater and greater homogeneity or similarity of content.⁷

An examination of the content of the schedules of the three networks for 1976-77 shows more similarity between ABC and CBS than between either of these two and NBC. ABC places more stress on drama, movies, and sports than does CBS, which places greater emphasis on police/detective programs and considerably more on situation-comedy. In 1975-76, 31.8 per cent of CBS content in prime-time was situation-comedy as compared to 18.2 per cent for ABC and only 6.8 per cent for NBC. Police/detective programs, however, constituted approximately one-quarter of the content of all three networks.

A detailed picture of the program schedules of the three networks for the seasons 1974-75, 1975-76, and 1976-77 is presented in Tables III-3, III-4, and III-5. From these tables, Table III-6 was computed showing the number of hours per week devoted to each of the program categories by each network in each of the three prime-time hours, 8-9:00 pm, 9-10:00 pm, and 10-11:00 pm for each of the three seasons considered. The similarity or homogeneity of the content of the schedules in each of these time periods is readily apparent. Action/adventure programs are shown almost totally in the 8-9:00

TABLE III-3

1974-75 NETWORK PRIME-TIME SEASON: PROGRAM SCHEDULES

Day	Time	ABC-TV			CBS-TV			NBC-TV		
		Series Title	Rating	Program Class	Series Title	Rating	Program Class	Series Title	Rating	Program Class
Mon.	8:00	The Rookies	21.0	Pol/Det	Gunsmoke	20.9	Ac/Ad	Born Free	17.6	Ac/Ad
	8:30									
Tues.	9:00	NFL Monday Night Football	19.9	Sports	Maude	24.8	Sitcom	NBC Monday Night Movies	19.7	Movie
	9:30				Rhoda	26.6	Sitcom			
	10:00				Medical Center	21.7	Drama			
Wed.	8:00	Happy Days	17.9	Sitcom	Good Times	23.4	Sitcom	Adam-12	16.4	Pol/Det
	8:30	Tuesday Movie of the Week	19.2	Movie	M.A.S.H.	25.2	Sitcom	NBC World Premier Movies	20.4	Movie
	9:00				Hawaii Five-O	22.4	Pol/Det			
Thurs.	9:30									
	10:00	Marcus Welby M.D.	17.5	Drama	Barnaby Jones	17.6	Pol/Det	Police Story	19.7	Pol/Det
	8:00	That's My Mama	19.8	Sitcom	Sons & Daughters	15.6	Drama	Little House on the Prairie	23.6	Ac/Ad
Fri.	8:30	Wednesday Movie of the Week	20.7	Movie						
	9:00				Cannon	19.1	Pol/Det	Lucas Tanner	18.1	Drama

ABC-TV

CBS-TV

NBC-TV

<u>Day</u>	<u>Time</u>	<u>Series Title</u>	<u>Rating</u>	<u>Program Class</u>	<u>Series Title</u>	<u>Rating</u>	<u>Program Class</u>	<u>Series Title</u>	<u>Rating</u>	<u>Program Class</u>
Wed.	9:30									
	10:00	Get Christie Love	16.8	Pol/Det	The Manhunter	19.9	Pol/Det	Petrocelli	16.1	Pol/Det
Thurs.	9:00	Streets of San Francisco	22.0	Pol/Det	CBS Thursday Night Movies	18.2	Movie	Ironside	14.4	Pol/Det
	9:30									
	10:00	Harry-O	17.2	Pol/Det				Movin' On	17.2	Ac/Ad
Fri.	8:00	Kodiak	9.9	Ac/Ad	Planet of the Apes	16.1	Ac/Ad	Sanford & Son	28.7	Sitcom
	8:30	Six Million Dollar Man	12.1	Ac/Ad				Chico & The Man	28.4	Sitcom
	9:00				CBS Friday Night Movies	18.9	Movie	The Rockford Files	21.7	Pol/Det
	9:30	The Texas Wheelers	11.0	Ac/Ad						
	10:00	The Night Stalker	12.0	Pol/Det				Police Woman	20.2	Pol/Det
Sat.	8:00	The New Land	7.9	Ac/Ad	All in the Family	29.4	Sitcom	Emergency	19.8	Ac/Ad
	8:30				Paul Sand in Friends & Lovers	21.8	Sitcom			
	9:00	Kung Fu	11.9	Ac/Ad	Mary Tyler Moore Show	23.6	Sitcom	NBC Sat. Night at the Movies	19.8	Movie

Day	ABC-TV			CBS-TV			NBC-TV			
	Time	Series Title	Rating	Program Class	Series Title	Rating	Program Class	Series Title	Rating	Program Class
Sat.	9:30				Bob Newhart Show	22.4	Sitcom			
	10:00	Nakia	12.7	Pol/Det	Carol Burnett Show	19.4	Variety			
Sun.	7:00									
	7:30				Apple's Way	17.9	Ac/Ad	Wonderful World of Disney	23.2	Ac/Ad
	8:00	Sonny Comedy Review	14.4	Variety						
	8:30				Kojak	21.6	Pol/Det	NBC Sunday Mystery Movie	22.9	Pol/Det
	9:00	ABC Sunday Night Movie	20.7	Movie						
	9:30				Mannix	19.4	Pol/Det			
	10:00							NBC Reports		News

Source: "1974-75 Network Prime time Season at a Glance," Variety, Sept. 18, 1974, pp. 46-47.
 "TV Series Season-to-Date Ratings, Sept. 9-Oct. 20," Variety, Oct. 30, 1974

TABLE III-4

1975-76 NETWORK PRIME-TIME SEASON: PROGRAM SCHEDULES

Day	ABC-TV			CBS-TV			NBC-TV		
	Time	Series Title	Rating	Program Class	Series Title	Rating	Program Class	Series Title	Rating
Mon.	8:00	Barbary Coast	12.0	Ac/Ad	Rhoda	24.6	Sitcom	The Invisible Man	16.6
	8:30				Phyllis	26.6	Sitcom		
	9:00	NFL Monday Night Football	19.8	Sports	All in the Family	32.0	Sitcom	NBC Monday Night at the Movies	17.4
	9:30				Maude	27.3	Sitcom		
	10:00				Medical Center	22.5	Drama		
Tues.	8:00	Happy Days	19.1	Sitcom	Good Times	21.7	Sitcom	Movin'On	17.2
	8:30	Welcome Back, Kotter	18.6	Sitcom	Joe & Sons	16.9	Sitcom		
	9:00	The Rookies	20.2	Pol/Det	Switch	18.6	Pol/Det	Police Story	17.2
	9:30								
	10:00	Marcus Welby MD	20.0	Drama	Beacon Hill	13.1	Drama	Joe Forrester	20.7
Wed.	8:00	When Things Were Rotten	17.3	Sitcom	Tony Orlando & Dawn		Variety	Little House on the Prairie	Ac/Ad
	8:30	That's My Mama	15.6	Sitcom					
	9:00	Baretta	19.1	Pol/Det	Cannon	18.5	Pol/Det	Doctors Hospital	16.7

Day	ABC-TV			CBS-TV			NBC-TV			
	Time	Series Title	Rating	Program Class	Series Title	Rating	Program Class	Series Title	Rating	Program Class
Wed.	10:00	Starsky & Hutch	21.1	Pol/Det	Kate McShane	12.3	Drama	Petrocelli	15.5	Pol/Det
Thurs.	8:00	Barney Miller	18.1	Sitcom	The Waltons	22.5	Ac/Ad	Montefuscos	11.4	Sitcom
	8:30	On the Rocks	18.9	Sitcom				Fay	12.3	Sitcom
Fri.	9:00	Streets of San Francisco	21.6	Pol/Det	CBS Thursday Night at the Movies	16.1	Movie	Ellery Queen	15.2	Pol/Det
	9:30									
	10:00	Harry-O	18.1	Pol/Det				Medical Story	13.3	Drama
Sat.	8:00	Mobile One	10.4	Ac/Ad	Big Eddie	13.1	Sitcom	Sanford & Son	26.4	Sitcom
	8:30				M.A.S.H.	17.9	Sitcom	Chico and the Man	21.5	Sitcom
Sun.	9:00	ABC Friday Night Movie	16.6	Movie	Hawaii Five-O	15.5	Pol/Det	The Rockford File	19.7	Pol/Det
	9:30									
	10:00				Barnaby Jones	14.6	Pol/Det	Police Woman	20.7	Pol/Det
Mon.	8:00	Saturday Night Live with Howard Cosell	12.1	Variety	The Jeffersons	19.0	Sitcom	Emergency	18.3	Ac/Ad
	8:30				Doc	16.9	Sitcom			
Tue.	9:00	S.W.A.T.	14.5	Pol/Det	Mary Tyler Moore Show	20.4	Sitcom	NBC Saturday Night at the Movies	18.2	Movie

	ABC-TV			CBS-TV			NBC-TV			
	Time	Series Title	Rating	Program Class	Series Title	Rating	Program Class	Series Title	Rating	Program Class
Day										
Sat.	9:30				Bob Newhart Show	20.0	Sitcom			
	10:00	Matt Helm	12.8	Pol/Det	Carol Burnett Show	19.7	Variety			
Sun.	7:00	Swiss Family Robinson	15.7	Ac/Ad	Three for the Road	8.8	Ac/Ad	Wonderful World of Disney	16.1	Ac/Ad
	7:30									
	8:00	Six Million Dollar Man	24.8	Ac/Ad	Cher	17.0	Variety	The Family Holvak	15.3	Ac/Ad
	8:30									
	9:00	ABC Sunday Night Movie	21.2	Movie	Kojak	21.3	Pol/Det	Sunday Mystery Movie	19.0	Pol/Det
	9:30									
	10:00				Bronk	15.9	Pol/Det			

Source: "1975-76 Network Prime time Season at a Glance," Variety, Sept. 3, 1975, pp. 61-66.
 "TV Series Ratings after Seven Weeks," Variety, Nov. 5, 1975, p. 46.

TABLE III-5

1976-77 NETWORK PRIME TIME SEASON: PROGRAM SCHEDULES

Day	ABC-TV			CBS-TV			NBC-TV			
	Time	Series Title	Rating	Program Class	Series Title	Rating	Program Class	Series Title	Rating	Program Class
Mon.	8:00	Captain & Tennille	19.9	Variety	Rhoda	19.6	Sitcom	Little House on the Prairie	22.1	Ac/Ad
	8:30				Phyllis	18.9	Sitcom			
	9:00	NFL Monday Night Football	21.1	Sports	Maude	20.0	Sitcom	NBC Monday Night at the Movies	25.7	Movie
	9:30				All's Fair	18.0	Sitcom			
	10:00				Executive Suite	15.1	Drama			
Tues.	8:00	Happy Days	31.0	Sitcom	Tony Orlando & Dawn Rainbow Hour	12.9	Variety	Baa Baa Black Sheep	18.2	Ac/Ad
	8:30	Laverne & Shirley	30.2	Sitcom						
	9:00	Rich Man, Poor Man	21.6	Drama	M.A.S.H.	26.0	Sitcom	Police Woman	18.6	Pol/Det
	9:30				One Day at a Time	23.1	Sitcom			
	10:00	Family	19.2	Drama	Switch	16.6	Pol/Det	Police Story	18.0	Pol/Det
Wed.	8:00	Bionic Woman	24.7	Ac/Ad	Good Times	20.8	Sitcom	The Practice	12.8	Sitcom
	8:30				Ball Four	15.3	Sitcom			

Day	ABC-TV			CBS-TV			NBC-TV			
	Time	Series Title	Rating	Program Class	Series Title	Rating	Program Class	Series Title	Rating	Program Class
Wed.	9:00	Baretta	24.0	Pol/Det	All in the Family	24.3	Sitcom	NBC Movie of the Week	13.8	Movie
	9:30				Alice	21.1	Sitcom			
Thurs.	10:00	Charlie's Angels	27.4	Pol/Det	Blue Knight	15.2	Pol/Det	The Quest	13.6	Ac/Ad
	8:00	Welcome Back, Kotter	21.7	Sitcom	Waltons	22.5	Ac/Ad	Gemini Man	14.5	Ac/Ad
	8:30	Barney Miller	20.7	Sitcom						
	9:00	Tony Randall Show	19.6	Sitcom	Hawaii Five-0	21.8	Pol/Det	Best Sellers	18.7	Drama
	9:30	Nancy Walker Show	17.8	Sitcom						
	10:00	Streets of San Francisco	18.6	Pol/Det	Barnaby Jones	18.4	Pol/Det	Van Dyke & Company	13.0	Variety
Fri.	8:00	Donny & Marie	18.8	Variety	Spencer's Pilots	10.1	Ac/Ad	Sanford & Son	20.8	Sitcom
	8:30							Chico & The Man	19.4	Sitcom
	9:00	ABC Friday Night Movie	21.5	Movie	CBS Friday Night Movie	15.7	Movie	Rockford Files	19.2	Pol/Det
	9:30									
	10:00							Serpico	15.5	Pol/Det
	8:00	Holmes & Yoyo	14.4	Sitcom	The Jeffersons	20.0	Sitcom	Emergency	18.1	Ac/Ad

Day	ABC-TV			CBS-TV			NBC-TV			
	Time	Series Title	Rating	Program Class	Series Title	Rating	Program Class	Series Title	Rating	Program Class
Sat.	8:30	Mr. T. & Tina	14.1	Sitcom	DOC	15.7	Sitcom			
	9:00	Starsky & Hutch	18.5	Pol/Det	Mary Tyler Moore Show	19.6	Sitcom	NBC Saturday Night at the Movies	19.4	Movie
Sun.	9:30				Bob Newhart Show	19.4	Sitcom			
	10:00	Most Wanted	16.0	Pol/Det	Carol Burnett Show	18.3	Variety			
	7:00	Cos	12.9	Variety	60 Minutes	20.6	News	Wonderful World of Disney	19.6	Ac/Ad
	7:30									
	8:00	Six Million Dollar Man	24.0	Ac/Ad	Sonny & Cher Show	16.6	Variety	Sunday Mystery Movie	21.1	Pol/Det
	8:30									
	9:00	ABC Sunday Night Movie	22.8	Movie	Kojak	18.1	Pol/Det			
	9:30							The Big Event	24.6	Gala Wkly Special
	10:00				Delvecchio	15.5	Pol/Det			

Source: "Network Prime time Season at a Glance," Variety, Sept. 15, 1976, pp. 50-54.
 "Regular Series' Top 40 After Five Weeks," Variety, Nov. 3, 1976, p. 42.
 "Network Series Rating Averages," Variety, Jan. 5, 1977, p. 86.

TABLE III-6

TV NETWORK PRIME-TIME PROGRAMMING: SEASONS 1974-75, 1975-76, 1976-77
PROGRAM DISTRIBUTION BY TIME SLOT

Program Category and Hours

<u>Year</u>	<u>Time</u>	<u>Network</u>	<u>Police/ Detective</u>	<u>Situation- Comedy</u>	<u>Action/ Adventure</u>	<u>Drama</u>	<u>Movie</u>	<u>Variety</u>	<u>Sports</u>	<u>Other</u>
1974-75	8-9:00 PM	ABC	1	2	2	-	1	1	-	-
		CBS	.5	2	3.5	1	0	-	-	-
		NBC	.5	1	5	-	.5	-	-	-
	9-10:00 PM	ABC	1	-	2	-	3	-	1	-
		CBS	3	2	-	-	2	-	-	-
		NBC	3	-	-	1	3	-	-	-
	10-11:00 PM	ABC	4	-	-	1	1	-	1	-
		CBS	3	-	-	1	2	1	-	-
		NBC	3	-	1	-	2	-	-	1
1975-76	8-9:00 PM	ABC	-	3	3	-	-	1	-	-
		CBS	-	4	1	-	-	2	-	-
		NBC	-	2	5	-	-	-	-	-
	9-10:00 PM	ABC	4	-	-	-	2	-	1	-
		CBS	4	2	-	-	1	-	-	-
		NBC	4	-	-	1	2	-	-	-
	10-11:00 PM	ABC	3	-	-	1	2	-	1	-
		CBS	2	-	-	3	1	1	-	-
		NBC	4	-	-	1	2	-	-	-
1976-77	8-9:00 PM	ABC	-	3	2	-	-	2	-	-
		CBS	-	3	2	-	-	-	-	-
		NBC	1	1.5	4	-	.5	-	-	-

Program Category and Hours

<u>Year</u>	<u>Time</u>	<u>Network</u>	<u>Police/ Detective</u>	<u>Situation- Comedy</u>	<u>Action/ Adventure</u>	<u>Drama</u>	<u>Movie</u>	<u>Variety</u>	<u>Sports</u>	<u>Other</u>
1976-77	9-10:00 PM	ABC	2	1	-	1	2	-	1	-
		CBS	2	4	-	-	1	-	-	-
		NBC	2	-	-	1	3	-	-	1
	10-11:00 PM	ABC	3	-	-	1	2	-	1	-
		CBS	4	-	-	1	1	1	-	-
		NBC	2	-	1	-	2	1	-	1

Source: Tables II I-3, III-4, III-5.

pm period as are variety programs. Situation-comedies were also highly concentrated in this hour, except in 1976-77 when CBS began to place more emphasis on these programs and moved the majority of them to the 9-10:00 pm period. Except for this development in CBS in 1976-77, and its experiment with drama in 1975-76, 70 per cent of the periods 9-10:00 pm and 10-11:00 pm during the week have been devoted to police/detective programs and movies by each of the networks in the three seasons considered.

An examination of Tables III-3, III-4, and III-5 shows that frequently the same types of programs are pitted against each other for at least two of the networks during the 9-10:00 pm and 10-11:00 pm periods and the third network will show a close substitute. For example, police/detective programs, if not pitted against each other will be pitted against a movie. There are of course exceptions, as well as the CBS tendency to show a situation-comedy opposite police/detective programs or movies in the other networks in the 9-10:00 pm time slot. These situation-comedies have tended to do well in the ratings or even better the ratings of the police/detective programs or the movies against which they compete for audiences. It would appear that programs depicting violence (i.e. police/detective and movies) which account for the majority of the content in the later hours of prime-time can be successfully countered only with good comedy. The ratings of drama and variety during these hours, for the most part, fall below those of police/detective, movies, and situation-comedies.

5. Stability in Network Programming

Networks normally do not significantly change the content of their schedules from season to season. Generally some change can be expected and one network may make more changes than another but a complete revamping of schedules is highly unlikely, primarily due to the uncertainty of viewer reaction. The traditional rule of thumb is that approximately two out of three "newcomers" in a season will be dropped due to low ratings.⁸ Radical changes by a network, if not accepted by the audience, could result in a substantial drop in that network's ratings and consequent loss of revenues. On the other hand, successful changes are likely to be imitated by rival networks with consequent relatively stable network audience shares. This also tends to act as a disincentive for major, and perhaps costly, changes.

From Table III-1 a stability indicator was calculated to determine the extent of change from season to season. It is derived by subtracting the percentage of time in each of the eight categories in any one season from the percentages in the preceding season and summing the absolute values of the differences.⁹ The indicator can range from zero, showing no change, to 200, when maximum change is made. A low indicator value means that the content, as divided among the eight categories, was essentially the same in a season as that in the preceding season.

The stability indicators are illustrated in Table III-2. For the networks combined, the indicators for the 1974-75 to 1975-76 seasons and for the 1975-76 to 1976-77 seasons are relatively low and similar at 25.3 and 25.9 respectively.

About the same amount of change was made in the 1975-76 season over the previous season as was made in the 1976-77 season. In 1975-76, there was a small increase in the proportion of time devoted to police/detective programs, larger increases in situation-comedy, drama, and variety, and a reduction in time allotted to movies and action/adventure. In 1976-77, the situation-comedy and variety content continued to increase but police/detective and drama fell, as did action/adventure. Movies, on the other hand, increased.

At the individual network level, the stability indicators varied but overall remained relatively low given the 0-200 range of possible movement. In 1975-76 the least change was made by ABC shown with an indicator of 14.7, followed by NBC at 23.2. CBS made greater changes, with a stability indicator of 40.4, moving toward more situation-comedy, drama, and variety programs, while reducing action/adventure and movies. In 1976-77, the opposite was true as CBS remained relatively stable and ABC and NBC made changes. ABC followed the CBS move of the previous year by increasing situation-comedy programs, drama, and variety, and reducing action/adventure. Interestingly, while ABC increased its drama content, both CBS and NBC reversed their earlier move and sharply reduced drama. The most significant change at NBC was a reduction in police/detective programs, offset primarily by an increase in movies.

6. Costs, Ratings, and Revenues of TV Programs

The estimated costs of bringing in various programs by the three TV networks for the three seasons 1974-75, 1975-76, and 1976-77, and the Nielsen ratings for these programs

are shown in Tables III-7, III-8, and III-9. From these tables the average costs of the various program types and the average ratings have been computed and are presented in Table III-10. As shown in this Table, movies are the most expensive for the networks to acquire, calculated as costs per half hour, followed by police/detective and action/adventure programs. In 1974-75 and 1975-76, the cost to the networks of acquiring movies was 50 per cent greater than police/detective or action/adventure programs.

Interestingly, police/detective programs were the second most expensive (excluding sports). Across the seasons from 1974-75 to 1976-77, the average costs of police/detective and action/adventure programs did not significantly differ, and cost consistently more per half hour than situation-comedies and drama, although the latter two were not far behind. For example, in 1976-77 the average cost per half hour of program by category were: police/detective \$169,000; action/adventure \$166,750; situation-comedy \$164,600; and drama \$156,875. The average cost of variety programs, among the highest of the categories in 1974-75, remained relatively constant and by 1976-77 was considerably lower than the other programs at \$119,285.

The costs per segment shown in the Tables represent costs to the network of acquiring the program from the supplier. The networks in the U.S. do little of their own production for prime-time, but rely on outside producers. In the 1975-76 season, other than sports, only one of the network prime-time programs was produced by a network, and in the 1976-77 season two programs were produced by the networks. The production

TABLE III-7
1974-75 NETWORK PRIME-TIME SEASON: PROGRAM CHARACTERISTICS

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '74</u>
ABC-TV Police- Detective	Get Christie Love	60	180,000	Wolper Prods., Universal TV	16.8
	Harry-O	60	200,000	Warner Bros. TV	17.2
	Nakia	60	180,000	Columbia Pictures TV, David Gerber Prods.	12.7
	The Night Stalker	60	190,000	Universal TV	12.0
	The Rookies	60	210,000	Spelling-Goldberg Prods.	21.0
Situation- Comedy	Streets of San Francisco	60	225,000	Quinn Martin Prods.	22.0
	Happy Days	30	105,000	Paramount TV, Miller-Milkis Prods.	17.9
	The Odd Couple	30	105,000	Paramount TV	14.2
	Paper Moon	30	105,000	Paramount TV, Culgean Corp.	15.1
	That's My Mama	30	100,000	Columbia Pictures TV, Blye-Beard Prods.	19.8
Action/ Adventure	Kodiak	30	95,000	Kodiak Prods. Worldvision	9.9
	Kung Fu	60	215,000	Warner Bros. TV	11.9
	The New Land	60	200,000	Warner Bros. TV	7.9
	Six Million Dollar Man	60	235,000	Universal TV	12.1

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '74</u>
Drama	The Texas Wheelers	30	105,000	MTM Enterprises	11.0
	Marcus Welby, M.D.	60	205,000	Universal TV	17.5
Movie	ABC Sunday Night Movie	120	675,000	various	20.7
	Tues. Movie of the Week	90	435,000	various	19.2
	Wed. Movie of the Week	90	435,000	various	20.7
Variety	The Sonny Comedy Revue	60	205,000	Blye-Bearde Prods. JayJay Inc., Ganch Prods.	14.4
	NFL Monday Night Foot- ball	120+	675,000	ABC Sports	19.9
Sports					
CBS-TV					
Police/ Detective	Barnaby Jones	60	205,000	Quinn Martin Prods.	17.6
	Cannon	60	205,000	Quinn Martin Prods.	19.1
Situation- Comedy	Hawaii Five-O	60	215,000	Leonard Freeman Prods.	22.4
	Kojak	60	200,000	Universal TV	21.6
	The Manhunter	60	205,000	Quinn Martin Prods.	19.9
	Mannix	60	215,000	Paramount TV	19.4
	All in the Family	30	118,000	Bud Yorkin-Norman Lear- Tandem Prods.	29.4
	Bob Newhart Show	30	108,000	MTM Enterprises	22.4
Situation- Comedy	Good Times	30	100,000	Bud Yorkin-Norman Lear Prods.	23.4
	M.A.S.H.	30	105,000	20th Fox-TV	25.2
	Mary Tyler Moore Show	30	110,000	MTM Enterprises	23.6

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '74</u>
Action/ Adventure	Maude	30	105,000	Bud Yorkin-Norman Lear Tandem Prods.	24.8
	Paul Sand in Friends & Lovers	30	105,000	MTM Enterprises	21.8
	Rhoda	30	105,000	MTM Enterprises	26.6
	Apple's Way	60	200,000	Lorimar Prods.	17.9
	Planet of the Apes	60	225,000	20th-Fox TV	16.1
	The Waltons	60	205,000	Lorimar Prods.	25.6
Drama	Gunsmoke	60	230,000	CBS-TV	20.9
	Medical Center	60	205,000	MGM-TV Alfra Prods.	21.7
	Sons and Daughters	60	180,000	Universal TV	15.6
Movies	CBS Friday Night Movie	120	750,000	various	18.9
	CBS Thursday Night Movie	120	750,000	various	18.2
Variety	Carol Burnett Show	60	245,000	Punkin Prods.	19.4
<u>NBC-TV</u>					
Police/ Detective	Adam-12	30	125,000	Mark VII Ltd.-Universal TV	16.2
	Ironside	60	260,000	Harbour Prods., Universal TV	14.4
	NBC Sunday Mystery Movie	90	450,000	Universal TV	22.9
	Petrocelli	60	215,000	Paramount TV-Miller-Milkis Prods.	16.1

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '74</u>
Situation- Comedy	Police Story	60	225,000	Columbia Pictures TV- David Gerber Prods.	19.7
	Police Woman	60	210,000	Columbia Pictures TV- David Gerber Prods.	20.2
	The Rockford Files	60	235,000	Universal TV-Cherokee Prods. Public Arts Inc.	21.7
Action/ Adventure	Chico & The Man	30	90,000	Wolper Prods., Komack Co.	28.4
	Sanford & Son	30	105,000	Bud Yorkin-Norman Lear- Tandem Prods.	28.7
	Born Free	60	215,000	Columbia Pictures TV- David Gerber Prods.	17.6
Drama	Emergency!	60	240,000	Mark VII Ltd., Universal TV	19.8
	Little House on the Prairie	60	225,000	NBC-TV-Ed Friendly	23.6
	Sierra	60	225,000	Mark VII Ltd.-Universal TV	15.0
Movies	Wonderful World of Walt Disney	60	245,000	Walt Disney Prods.	23.2
	Movin' On	60	210,000	D'Antoni-Weitz TV Prods.	17.2
	Lucas Tanner	60	225,000	Universal TV-Groverton Prods.	18.1
Movies	NBC Monday Night at the Movies	120	775,000	various	19.7
	NBC Saturday Night at the Movies	120	775,000	various	19.8

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '74</u>
	NBC World Premiere Movies	90	425,000	various	20.4
News/ Public Affairs	NBC Reports	60	175,000	NBC News	

Source: "1974-75 Network Prime Time Season at a Glance," Variety, Sept. 18, 1974, pp. 46-47.
 "TV Series Season-to-Date Ratings, Sept. 9-Oct. 20.," Variety, Oct. 24, 1974.

TABLE III-8

1975-76 NETWORK PRIME-TIME SEASON: PROGRAM CHARACTERISTICS

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '75</u>	<u>Nielsen Rating '74</u>
ABC-TV Police- Detective	Baretta	60	260,000	Universal TV-Ray Huggins -Public Arts Inc.	19.1	--
	Harry-O	60	260,000	Warner Bros. TV	18.1	16.9
	Matt Helm	60	260,000	Columbia Pictures TV- Meadway Prods.	12.8	--
	The Rookies	60	260,000	Spelling-Goldberg Prods.	20.2	20.5
	Starsky & Hutch	60	245,000	Spelling-Goldberg Prods.	21.1	--
	Streets of San Fran- cisco	60	280,000	QM Prods.	21.6	21.5
	S.W.A.T.	60	260,000	Spelling-Goldberg Prods.	14.5	--
	Barney Miller	30	125,000	Four D Prods.	18.1	--
	Happy Days	30	130,000	Paramount TV-Miller- Milkis Prods.	19.1	17.9
	On the Rocks	30	100,000	John Rich Prods.	18.9	--
Situation- Comedy	That's My Mama	30	110,000	Columbia Pictures TV	15.6	19.8
	Welcome Back, Kotter	30	95,000	Komack Co.-Wolper Prods.	18.6	--
	When Things Were Rotten	30	140,000	Paramount TV	17.3	--

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '75</u>	<u>Nielsen Rating '74</u>
Drama	Marcus Welby, M.D.	60	285,000	Universal TV	20.0	18.1
Action/ Adventure	Barbary Coast	60	250,000	Paramount TV-Francy Prods.	12.0	--
	Mobile One	60	250,000	Mark VII Ltd.-Universal TV	10.4	--
	Six Million Dollar Man	60	280,000	Universal TV-Silverton Prods.	24.8	12.1
	Swiss Family Robinson	60	255,000	Irwin Allen Prods.- 20th-Fox TV	15.7	--
Movie	ABC Friday Night Movie	120	775,000	various	16.6	--
	ABC Sunday Night Movie	120	775,000	various	21.2	20.7
Variety	Saturday Night Live with Howard Cosell	60	250,000	Jilary Enterprises	12.1	--
Sports	NFL Monday Night Football	120+	700,000	ABC Sports	20.8	19.8
<u>CBS-TV</u>						
Police- Detective	Barnaby Jones	60	240,000	QM Prods.	14.6	17.6
	Bronk	60	240,000	MGM-TV	15.9	--
	Cannon	60	240,000	QM Prods.	18.5	19.6
	Hawaii Five-O	60	270,000	Leonard Freeman Ent.	15.5	23.2
	Kojak	60	270,000	Universal TV	21.3	21.2

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '75</u>	<u>Nielsen Rating '74</u>
Situation- Comedy	Switch	60	250,000	Universal TV-Glen Larson Prods.	18.6	--
	All in the Family	30	130,000	Bud Yorkin-Norman Lear- Tandem Prods.	32.0	29.3
	Big Eddie	30	100,000	Concept Plus Two- Deazedemzandoze Prods.	13.1	
	Bob Newhart Show	30	120,000	MTM Enterprises	20.0	21.7
	Doc	30	100,000	MTM Enterprises	16.9	--
	Good Times	30	110,000	Bud Yorkin-Norman Lear- Tandem Prods.	21.7	24.2
	The Jeffersons	30	110,000	T.A.T. Communications Co.- NRW Prods.	19.0	--
	Joe & Sons	30	100,000	Douglas S. Cramer Prods.	16.9	--
	Mary Tyler Moore Show	30	130,000	MTM Enterprises	20.4	22.9
	M.A.S.H.	30	130,000	20th-Fox TV	17.9	26.0
Action/ Adventure	Maude	30	120,000	Bud Yorkin-Norman Lear- Tandem Prods.	27.3	24.7
	Rhoda	30	120,000	MTM Enterprises	24.6	26.4
	Three for the Road	60	230,000	MTM Enterprises	8.8	--
	The Waltons	60	240,000	Lorimar Prods.	22.5	26.3
Drama	Beacon Hill	60	240,000	Robert Stigwood Org.	13.1	--

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '75</u>	<u>Nielsen Rating '74</u>
Movie	Kate McShane	60	235,000	Paramount TV-P.A. Prods.	12.3	--
	Medical Center	60	265,000	MGM-TV-Alfra Prods.	22.5	21.5
	CBS Thursday Night Movies	120	775,000	various	16.1	19.2
Variety	Carol Burnett Show	60	260,000	Punkin Prods.	19.7	19.2
	Cher	60	250,000	Apis Prods.-George Schlatter Prods.	17.0	--
	Tony Orlando & Dawn	60	230,000	Ilson-Chambers Prods.- Yellow Ribbon Prods.	17.3	--
NBC-TV						
Police- Detective	Ellery Queen	60	250,000	Universal TV-Fairmont/ Foxcroft Prods.	15.2	--
	Joe Forrester	60	250,000	Columbia Pictures TV- David Gerber Prods.	20.7	--
	NBC Sunday Mystery Movie	90	525,000	Universal TV	19.0	--
	Petrocelli	60	240,000	Paramount TV-Miller- Milkis Prods.	15.5	16.1
	Police Story	60	260,000	Columbia Pictures TV- David Gerber Prods.	17.2	19.7
	Police Woman	60	250,000	Columbia Pictures TV- David Gerber Prods.	20.7	20.0

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '75</u>	<u>Nielsen Rating '74</u>
Situation- Comedy	The Rockford File	60	265,000	Universal TV-Cherokee Prods., Ray Huggins/ Public Arts Inc.	19.7	21.5
	Chico & The Man	30	105,000	Komack Co.-Wolper Prods.	21.5	28.2
	Fay	30	100,000	Danny Thomas Prods./ Universal TV	12.3	--
	The Montefuscos	30	100,000	Concept Plus Two Prods.- MGM-TV	11.4	--
	Sanford & Son	30	130,000	Bud Yorkin-Norman Lear- Tandem Prods.-Norbud Prods.	26.4	--
	Emergency	60	270,000	Mark VII Ltd.- Universal TV	18.3	19.8
Action/ Adventure	The Family Holvak	60	265,000	Universal TV	15.3	--
	The Invisible Man	60	270,000	Universal TV-Silverton Prods.	16.6	--
	Little House on the Prairie	60	260,000	NBC-TV-Ea Friendly	21.4	23.4
	Movin' On	60	235,000	D'Antoni-Wertz Prods.	17.2	16.6
	Wonderful World of Disney	60	275,000	Walt Disney Prods.	16.1	23.9
Drama	Doctor's Hospital	60	250,000	Universal TV	16.7	--
	Medical Story	60	250,000	Columbia Pictures TV- David Gerber Prods.	13.3	--

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '75</u>	<u>Nielsen Rating '74</u>
Movie	NBC Monday Night at the Movies	120	775,000	various	17.4	19.7
	NBC Saturday Night at the Movies	120	775,000	various	18.2	19.8

Source: "1975-76 Network Prime-time Season at a Glance," Variety, Sept. 3, 1975, pp. 61-66.
 "TV Series Ratings after Seven Weeks," Variety, Nov. 5, 1975, p. 46.

TABLE III-9

1976-77 NETWORK PRIME-TIME SEASON: PROGRAM CHARACTERISTICS

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '76</u>
ABC-TV					
Police- Detective	Baretta	60	350,000	Universal TV-Roy Huggins/ Public Arts	24.0
	Charlie's Angels	60	310,000	Spelling-Goldberg Prods.	27.4
	Most Wanted	60	320,000	QM Prods. [Quinn Martin]	16.0
	Starsky & Hutch	60	340,000	Spelling-Goldberg Prods.	18.5
	Streets of San Francisco	60	350,000	QM Prods.	18.6
	Barney Miller	30	175,000	Four D Prods.	20.7
Situation- Comedy	Happy Days	30	180,000	Paramount TV-Miller-Milkis Prods.	31.0
	Holmes & Yoyo	30	110,000	Universal TV-Heyday Prods.	14.4
	Laverne & Shirley	30	160,000	Paramount TV-Miller-Milkis Prods.	30.2
	Mr. T. & Tina	30	120,000	Komack Co.	14.1
	Nancy Walker Show	30	135,000	T.A.T. Communications	17.8
	Tony Randall Show	30	150,000	M.T.M. Enterprises	19.6
Action/ Adventure	Welcome Back, Kotter	30	150,000	Komack-Wolper Prods.	21.7
	Bionic Woman	60	370,000	Universal TV-Harve Bennett Prods.	24.7

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '76</u>
Drama	Six Million Dollar Man	60	370,000	Universal TV-Harve Bennett Prods.	24.0
	Family	60	280,000	Spelling-Goldberg Prods.	19.2
	Rich Man, Poor Man, Book II	60	325,000	Universal TV	21.6
Movie	ABC Friday Night Movie	120	various	various	21.5
	ABC Sunday Night Movie	120	various	various	22.8
Variety	Captain & Tennille	60	220,000	Moonlight & Magnolias Inc.- Bob Henry Prods.	19.9
	Cos	60	220,000	Jemmin Inc.	12.9
	Donny & Marie	60	230,000	Osmond Prods.-Sid & Marty Krofft Prods.	18.8
Sports	NFL Monday Night Foot- ball	120+	400,000	ABC Sports	21.1
<u>CBS-TV</u>					
Police- Detective	Barnaby Jones	60	320,000	QM Prods.	18.4
	Blue Knight	60	300,000	Lorimar Prods.	15.2
	Delvecchio	60	300,000	Universal TV-Crescendo Prods.	15.5
	Hawaii Five-O	60	385,000	CRS-TV	21.8
	Kojak	60	360,000	Universal TV-FRP Prods.	18.1
	Switch	60	340,000	Universal TV	16.6

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '76</u>
Situation- Comedy	All in the Family	30	225,000	Norman Lear-Bud Yorkin- Tandem Productions	24.3
	All's Fair	30	125,000	T.A.T. Communications Co.	18.0
	Alice	30	110,000	Warner Bros. TV	21.1
	Ball Four	30	110,000	CBS-TV	15.3
	Bob Newhart Show	30	200,000	M.T.M. Enterprises	19.4
	Doc	30	140,000	M.T.M. Enterprises	15.7
	Good Times	30	180,000	Norman Lear-Bud Yorkin- Tandem Productions	20.8
	Jeffersons	30	170,000	T.A.T. Communications Co.- NRW Prods.	20.0
	Mary Tyler Moore Show	30	225,000	M.T.M. Enterprises	19.6
	M.A.S.H.	30	190,000	20th-Fox TV	26.0
	Maude	30	190,000	Norman Lear-Bud Yorkin- Tandem Productions	20.0
	One Day at a Time	30	160,000	T.A.T. Communications- Allwhit Inc.	23.1
	Phyllis	30	170,000	M.T.M. Enterprises	18.9
Action/ Adventure	Rhoda	30	180,000	M.T.M. Enterprises	19.6
	Spencer's Pilots	60	290,000	CBS-TV	10.1

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '76</u>
Drama	Waltons	60	320,000	Lorimar Prods.	22.5
	Executive Suite	60	325,000	MGM-TV-Stanly Rubin/ Arena Prods.	15.1
Movie	CBS Friday Night Movie	120	various	various	15.7
Variety	Carol Burnett Show	60	280,000	Punkin Prods.	18.3
	Sonny & Cher Show	60	240,000	Apis Prods.-Yonge Street Entertainment	16.6
News/Public Affairs	Tony Orlando & Dawn Rainbow Hour	60	240,000	Ilson-Chambers Prods./ Yellow Ribbon Prods.	12.9
	60 Minutes	60	200,000	CBS News	20.6
114					
<u>NBC-TV</u>					
Police- Detective	NBC Sunday Mystery Movie (Columbo, McCloud, McMillan, Quincy)	90	500,000	Universal TV	21.1
	Police Story	60	350,000	Columbia Pictures TV- David Gerber Prods.	18.0
	Police Woman	60	360,000	Columbia Pictures TV- David Gerber Prods.	18.6
	Rockford Files	60	365,000	Universal TV-Cherokee Prods.- Roy Huggins/Public Arts	19.2
	Serpico	60	320,000	Paramount TV-Emmet Lavery Jr. Productions	15.5

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '76</u>
Situation- Comedy	Chico & The Man	30	180,000	Comack Co.-Wolper Prods.	19.4
	The Practice	30	160,000	Danny Thomas Prods.- MGM-TV	12.8
	Sanford and Son	30	220,000	Norman Lear-Bud Yorkin- Tandem Productions	20.8
Action/ Adventure	Baa Baa Black Sheep	60	300,000	Universal TV	18.2
	Emergency	60	320,000	Universal TV-Mark VII Ltd.	18.1
	Gemini Man	60	340,000	Universal TV-Harve Bennett Prods.	14.5
	Little House on the Prairie	60	320,000	ABC-TV-Ed Friendly	22.1
	Wonderful World of Disney	60	385,000	Walt Disney Prods.	19.6
Drama	The Quest	60	280,000	Columbia Pictures-TV- David Gerber Prods.	13.6
	Best Sellers	60	325,000	Universal TV	18.7
	NBC Monday Night at the Movies	120	various	various	25.7
Movie	NBC Movie of the Week	90	various	various	13.8
	NBC Saturday Night at the Movies	120	various	various	19.4
	Van Dyke & Company	60	240,000	Catspaw Prods.-Blye- Einstein Prods.	13.0

<u>Program Class</u>	<u>Series Title</u>	<u>Min.</u>	<u>Est. Cost per Episode</u>	<u>Supplier</u>	<u>Nielsen Rating '76</u>
Gala Weekly Special	The Big Event	90	various	various	24.6

Source: "Network Prime time Season at a Glance," Variety, Sept. 15, 1976, pp. 50-54.
 "Network Series Rating Averages," (1st 13 weeks, Sept. 20 through Dec. 19), Variety,
 Jan. 7, 1977, p. 86.

TABLE III-10

U.S. NETWORK PRIME-TIME PROGRAMS,
AVERAGE COSTS BY CLASS OF PROGRAM AND AVERAGE RATING
(Cost per half hour program or equivalent)

Class of Program	1974-75		1975-76		1976-77	
	Average Cost	Average ^a Rating	Average Cost	Average ^a Rating	Average Cost	Average ^a Rating
1) Police/Detective	108,552	18.5	130,000	17.9	169,000	18.9
2) Situation-Comedy	104,714	22.9	120,250	19.5	164,600	20.1
3) Action/Adventure	108,666	16.6	128,333	16.6	166,750	18.7
4) Drama	101,875	18.2	127,083	16.3	156,875	18.7
5) Movie	170,375	19.7	193,750	17.9	various	19.8
6) Variety	112,500	16.9	123,750	16.5	119,285	16.1
7) Sports	168,750	19.9	175,000	20.8	--	21.1
8) Other	87,500	--	100,000	20.1	various	--

^aThe ratings for 1974-75 and 1975-76 cover 7 weeks while the ratings for 1976-77 cover 13 weeks in the beginning of each season.

Source: Tables III-3, III-4, III-5.

fee paid by the network is not necessarily sufficient to cover the costs of production or yield a profit to the producer. Additional revenues frequently accrue to the producer/supplier through syndication of the program and sale to non-network stations and in foreign markets.

As in the case of feature films, various elements influence costs of producing TV programs, including the performers, set construction and destruction, number of location movements, and the type of program. Producers are in general agreement that programs involving a good deal of dialogue, with very few set and location movements (i.e. a program filmed in one room) are generally the least expensive to produce. On the other hand, action-type programs involving location movements, chase scenes, destruction of equipment and property, etc. generally tend to be more expensive. This would imply that situation-comedy and drama, where settings are frequently limited and a large amount of dialogue is involved, are less expensive to produce than police/detective and action/adventure programs. Variety programs, on the other hand, may vary depending on the costumes and backdrops together with the type of guest talent brought in. Frequently, informal agreements among performers providing for token sums paid for guest appearances in return for a reciprocal guest appearance at a later date will keep costs down.

While the consensus of producers is that situation-comedy programs are probably cheaper to produce than the one hour police/detective and action/adventure type program, they tend to be more difficult. First, good comedy script-writers appear to be at a premium while it is much less difficult to

write action/adventure scripts as they generally follow a more formulaic approach. Writers for such shows as "Mannix" compile an action script from filing cards each representing program segments with such names as the hooker, the problem, the home-stretch, a two-minute diver to keep the audience from switching channels, a wrap-up and the teaser for next week—all separated by commercial breaks. Networks and writers agree that violence can hold such dramatic patchwork quilts together; subtlety of theme and character are eliminated in favour of constant audience jolts. Successful comedy writing requires more script care and creativity to maintain audiences. There also appears to be considerably more uncertainty in producing and scheduling a comedy. A comedy which fails leaves little to salvage while there is more room for error and weaknesses in a one-hour action-type show. In addition, comedy encounters problems for syndication and success abroad as sense of humour in the U.S. may differ from that in other countries. The police-action-adventure type format has more syndicated value than any other format.¹⁰

Higher costs for a program, however, are not necessarily rewarded by higher ratings (the success indicator). While police/detective programs cost more than situation-comedy, the average Nielsen rating for situation-comedy was 22.9 compared to an average of 18.5 for police/detective in 1974-75. For the 1975-76 season, the average ratings for these two categories were 19.5 and 17.9 respectively, and in 1976-77, 20.1 and 18.9 respectively. Movies had a higher rating than police/detective in 1974-75 and 1976-77 and the two were rated equally in the 1975-76 season. The average rating for action/

adventure programs remained at 16.6 for the first two seasons, but rose to 18.7 in 1976-77. Drama, while just slightly below police/detective in 1974-75, fell below the latter by approximately 1.6 points in the following season and with an average rating of 16.3 was the lowest of all categories. In 1976-77 Drama ratings rose and matched action/adventure at 18.7. Variety programs were rated at about the same level as action/adventure for the first two seasons, but dropped in 1976-77 and widened the gap at 16.1. Sports, consisting exclusively of "Monday Night Football" on ABC, cost almost as much as movies, but also enjoyed relatively high ratings.

In summary, excluding sports, the three categories of programs with the highest average Nielsen ratings over the three seasons were, in order, situation-comedy, movies, and police/detective.

Another observation that can be made from Tables III-7, III-8, and III-9 is that situation-comedy programs have the lowest rate of seasonal turnover, while action/adventure, drama and variety have the highest rate of turnover. In between are police/detective programs. Between the 1974-75 and 1975-76 seasons, out of 14 situation-comedy programs, 3 were dropped for a turnover rate of approximately 21 per cent, while between the 1975-76 and 1976-77 seasons out of 21 programs, 7 were dropped for a turnover rate of 33 per cent. The turnover rate for police/detective programs for the same periods was 37 per cent and 45 percent; for drama it was 50 per cent and 100 per cent; for variety it was 50 per cent for each period, and for action/adventure the turnover rate was 60 per cent and 50 per cent.

It is therefore apparent that even though police/detective

programs, the category where violence is undoubtedly the most predominate, are not inexpensive to produce, they do on the average stand relatively high in the ratings. Furthermore, if the rate of turnover is taken as a guide to the stability of programs from one season to the next only situation-comedy programs tend to be more stable. Movies, of course, are difficult to rate in this manner because they may continue in their time slot from season to season, yet the subject matter can vary significantly.

Ratings are very important to networks for they have a considerable impact on revenues which they are able to obtain from advertising.

In the 1950's the networks in the U.S. produced most of their TV programs themselves, and sold entire time blocks to sponsors and advertising agencies. During the 1960's, however the networks began to depend increasingly on outside or independent producers, particularly for their prime-time programs and at the same time they turned from selling blocks of time or entire shows to single advertisers to selling spots to various advertisers ranging from ten seconds to 120 seconds. Depending on the popularity of the show, the time spots sell for up to \$140,000 per minute. (It is estimated that commercials for the network showing of "Gone With the Wind" sold for \$235,000 per minute.)¹¹ The average price of commercial time on U.S. networks in 1976 was approximately \$90,000 per minute.¹² The popularity of a show, as measured by the Nielsen ratings, is very important to networks in terms of advertising revenue as is evident from the following:

. . . The Nielsen ratings are so important that although NBC lost out to CBS (for the nineteenth year in a row)

by less than one Nielsen point during the 1974-75 season, that slight difference was worth \$17.5 million to the winner.¹³

Advertising is of course the prime source of revenue for television, and television has the highest dollar expenditure by advertisers of the mass media.

7. Other Facets of Production and Programming

a) The Production Process

As mentioned earlier, the U.S. networks rely on outside independent producers for virtually all their entertainment programs. However, the networks retain control of the entire conceptual and developmental processes in any series production. At the outset these producers will suggest possible series concepts. From this point on, the network, if interested, will begin funding the preparation of treatment outlines, further interest will lead to the financing of a few scripts, and if these meet approval then a pilot program is made. Very rarely will an independent producer go any further than the initial step without financial commitment from a network. The cost of producing a "pilot"—in effect a prototype—is well beyond the speculative capability of most producers.¹⁴ Throughout these initial stages the networks' input is considerable and fundamentally influences the characterizations, plots, and image of the series. Once the series is in production, each new script is carefully reviewed by the network and extensive revisions may be ordered.

Discussions with writers and producers revealed that this ongoing network direction came from two sources. Firstly, the networks maintain program standards departments which minutely censor the scripts for excessive violence, undue sexual references, and anything they feel may be offensive to

the audience or a segment of it. These codes of censorship are not published and evolve from year to year as the networks gauge a certain common denominator of public tolerance. To assist the producer each network assigns a liaison officer to the program series, and many of the changes are negotiated. Secondly, the producer and his writers are under considerable pressure from the network program department which is anxious for rating strength. Our discussions indicated that this pressure often took a form in apparent conflict with the standards of censorship applied by the network. Such euphemisms as "make it harder"—suggesting more graphic or explicit violence and/or sex and "more jeopardy up front"—suggesting more aggressive conflict at the outset to ensure audience loyalty to the channel—are typical of these program directions. Because funding originates with the program departments, the latter suggestions are paramount in the producer's mind. The trick, then, is to get by the standards department while trying to fulfill the requirements of the program department.¹⁵

In the past, the networks have been more interested in censoring sex and language rather than scenes of violence although there appears to be some evidence that networks have recently become more concerned with raw violence. There appears to be a process of some trade-off allowing more explicit references to sex and less dramatic scenes of violence. "Charlie's Angels" is a good example of more sex which counters less overt violence. Its relatively high rating (26.8) may conceivably trigger a greater movement in this direction—success immediately invites retaliatory imitation.

We were impressed by the pervasiveness and subtlety

of the anticipating forces which conditioned the writers, producers, and networks. Based on past experience and present results, the whole creative and development process seemed inhibited by second guessing what the next higher level of authority would appreciate as marketable. Newer ideas, plans, approaches and concepts were seemingly discussed only in terms of their similarity to known programs and their track record. "Police Story" was cited as an almost bizarre exception—an anthology series—when conventional wisdom dictated continuing characters in predictably similar situations. Not only must there be a remarkable unity throughout a series, there appears to be a marked consistency in the pattern and amount of tension, conflict, violence in each episode to the next, e.g. "Mannix" usually gets beaten up about two-thirds of the way into each show.

Some writers observed that they felt violence was dramatically honest ("The American society is a violent society") and while deploring gratuitous violence they felt it was very frequently an integral part of reflecting life and reality. They argued not that they felt obliged to provide violence for the titillation of the audience but that the real nature of violence was so emasculated in the censorship process that the audience was given a very fanciful and antiseptic idea of what a real shooting and beating meant in human suffering. The danger lay not in showing violence but in giving a less than true picture of its horror.

In sum, the creative and production processes are highly conditioned by what a network assumes will be attractive to a mass audience, by what a producer thinks the network will

assume to be attractive, and by what a writer thinks a producer thinks will be attractive. Since all of this is predicated on individual or corporate financial success the problems attendant with generating true differences, when the risk could be total loss and success a marginal advantage, preclude much real change. If violent content is a successful format or is so perceived, there is a built-in economic inertia for these formats to perpetuate. Although the networks maintain their own discipline, this is marked by a rampant schizophrenia between what they require and what they proscribe. For the independent producer or the writer an intricate game develops of obeying the letter of the standards while defying the apparent spirit of them.

b) Family Hour

The concern about violence and possible fear of government intervention was a major factor in the development of the "Family Hour" concept in the spring of 1975. The National Association of Broadcasters came to a relatively informal understanding that the period from 7:00 pm to 9:00 pm would be free of the typical violence found in police/detective programs. It was violence and not sex that spawned the concept of "family viewing." Since then, the time periods 9:00 pm and 10:00 pm have become the violent hours with the likes of "Starsky and Hutch," "Kojak," "Streets of San Francisco," as well as movies frequently of the violent kind such as "Death Wish," "Walking Tall" (Parts I and II) and numerous others designed for "mature audiences" in which the network advises "parental discretion" for children viewing.

This industry self-regulation was not universally

applauded. A number of economic and libertarian issues were at stake. The independent TV stations regarded it as an unfair sanction against their syndicated use of earlier network programs by restricting them to exposure in late prime-time. The independent producers for the same reasons felt their later marketing and profits also would be very restricted, e.g. Norman Lear's "All In The Family" would have had many episodes ruled not suitable for family viewing and relegated to after 9:00 pm. This would have had a very adverse effect on later syndication. Suit was brought by Lear, the Directors Guild, and the Writers Guild to have the policy set down. Essentially three issues were raised. The policy was a First Amendment infringement since the F.C.C. (the government) was heavily involved—so much so it was claimed—that the industry had acted in fear of actual regulation and thus this was in effect a government regulation. Secondly, no public hearings had been held which would have been necessary had the F.C.C. been contemplating such a regulation. Thirdly, the family viewing hour represented industry collusion and therefore violated anti-trust laws. In November (1976) a Federal Court found the policy unconstitutional with respect to points one and two and so it was not necessary to test the more complicated anti-trust aspect.¹⁶ (In Canada such industry self-regulation would probably stand, e.g. children's advertising having CRTC endorsement and the implicit force of regulation.)

The policy had led to some squabbles between the networks. CBS claimed "Baa Baa Black Sheep" (8:00 pm, NBC) violated the code and was taking an unfair advantage. This perception of the power of violence to attract shares of audiences was best

exemplified when CBS president Arthur Taylor testified at the Federal trial that it was absolutely necessary for the networks to collaborate in the establishment of a family viewing hour because for one network to cut out violence without the co-operation of others could be disastrous (emphasis ours). He cited an earlier example when CBS, in 1973, took the lead in cutting violence from Saturday morning programming only to find that the programs ended up on private stations and the audiences followed. As a result, CBS revenues from Saturday morning programming fell drastically.

c) Program Strategy

The programmer's perception of the audience seems to assume that action and conflict are vital. In the absence of rigorous studies, it appears safe and obvious to point out that the opening minute and opening formats contain what the programmer feels will most attract the audience to stay tuned. The same observation could be made of promotional announcements used to attract the audience in the first place. These are usually capsules of the content of the program and revealing evidences of the values which the networks attach to the programs. With respect to the action/adventure-police/detective shows, the ratio of violent incidents to elapsed time in these introductory and promotional messages appears much higher than in the program itself—a distillation of the conflict and violence without any redeeming context or resolution. Very simply, the networks must believe that this technique is economically effective (i.e. gathers and holds audience), since it could be easily modified if proved inefficient. This approach then typifies the expectations of the mass viewer.

Meanwhile it proliferates the actual amount of violent content on the airwaves, and conditions the audience to believe that this is the substance of "good" programs.

Les Brown, New York Times television correspondent, offered a military analogy for network program strategy. He described the networks as perpetually at war, involved in a new campaign with each new season, each time period as a battlefield, "programs are the weaponry, violence is heavy ammunition, brutality is dynamite," and the prize is, of course, the share of the audience pie to offer advertisers. U.S. network television is counter-programmed—a program is scheduled to harm its time-slot opponents. Theatre, cabaret and movie smash hits serve to attract audiences to all offerings in their respective circuits. Only in television with its limited potential audience does a successful show demolish rather than feed its opponents.¹⁷

d) Production Techniques

As noted earlier there is no evidence that the production costs of programs with violent content are less than those of other formats and some evidence to the contrary. Also noted, there is some evidence that the violence format is "safer" and contains more residual values after initial exposures.

The hierarchy of production costs may be categorized from most expensive to least in production techniques as follows:

i) Single film camera—involving many scenes occasioning a number of set-ups and re-lighting for each set-up in the scene, e.g. Police/detective, action/adventure, comedies like "Holmes and Yoyo."

ii) Multiple film cameras—various angles simultaneously

filmed under a basic lighting in a few basic sets—MTM comedies.

iii) Multiple TV cameras—various angles cut in real time under a basic lighting in few basic sets—Lear comedies (Tandem & T.A.T.).

In terms of studio sets or location shooting an original studio set is by far the more expensive, however, if it can be pro-rated over an entire series then it becomes much cheaper than location shooting. The impact of this is to mitigate against speculative pilots which involve extensive building of new sets or even assembling parts in a sound stage and favours location shooting typical of action/adventure. The comedies achieve economies through multiple camera techniques and permanent sets but are notable for high talent costs if successful and little residual value if not preeminently successful.

A considerable area of production falls into the category of Movies of the Week, although this has been declining in the last year or two. A standard and style of production has developed for longer narratives of a non-continuing basis at costs somewhat similar per half hour to other TV formats. Although not marketable as movies in North America or Europe they have subsequent theatrical value in the Third World. Film techniques are modified for television, e.g. use of close-ups, few basic locations, linear plots, movement as opposed to character development, etc. These are often designed to be a self-liquidating pilot for a possible future series. This implies that the limitations on the content of this genre heavily influence the shape of future series by being a major source of pre-testing information. Since the genre is

characterized by action/adventure or police/detective it can be a self-fulfilling prophecy of audience tastes for future series.

e) Violent Programs and Advertisers

Recently, it appears that TV program sponsors and advertisers have also become more conscious of the degree of violence in TV programs and the possible effects of audience reaction to their products. One of the largest advertising agencies in the U.S., the J. Walter Thompson Co., reported in June 1976 that a survey conducted for the company indicated that many television viewers were turning off violent TV programs and might also be rejecting the products advertised on those programs.¹⁸ The survey also indicated that parents attempt to prevent their children from watching programs they believed were excessively violent. The president of the company stated that concern over the possible effects of violence on viewers' attitude to sponsors' products has led his agency to counsel its clients "to evaluate the potential negatives of placing commercials in programming perceived as violent."¹⁹ It has been reported that General Foods has stopped sponsoring violent programs.²⁰

The Canadian J. Walter Thompson Co. report was not made available at the time of this report. We were told that viewers in Canada reported stronger feelings against violence in television than in the U.S., but that the difference was probably due to the nature of the questions which in Canada suggested the topic of violence and in the U.S. questionnaire provided no such guidance to responses. We were informed that the studies gave no direct evidence that commercial messages

placed in violent programs were any less efficient than in other content, i.e. that the degree of emotional stimulation or involvement in the program didn't seem to weaken the impact of the commercial.

However, the J.W.T. studies did seem to indicate that in the most educated and higher socio-economic groups there were signs of antagonisms to violent content possibly sufficient to influence purchasing decisions. This might be interpreted as an economic argument to clients merchandising "high ticket" items, e.g. new cars, appliances to avoid this content.

Without reference to the actual studies, we were told that the overall tenor was one of a "densitization" in society. This suggested that ever increasing stimulation was necessary to make an equivalent impact. It also suggested that a certain dishomogenization of society was taking place with emphasis on individual needs and wants. An advertiser might be well advised to pitch his message directly to an individual's own selfishness and self-gratification rather than to an individual's desire to please others or his sense of group belonging. (A cosmetic not "to please the men in your life" but a cosmetic which "causes the men in your life to please you.")

Among the sponsors who have stated that they would not show commercials on violence programs are General Foods, Best Foods, Samsonite, Proctor and Gamble, McDonald's, Hunt-Wesson, Pfizer, Toyota, Ralston Purina, Clorox, Johnson and Johnson, Gillette, Bristol-Myers, Kraft, and General Mills. Some of these companies have formal anti-violence policies while others indicated to their advertising agencies what kinds of programs are to be avoided.²¹ It would appear that recently companies

have been giving their agencies more formal guidelines on this matter. While some maintain that there is a definite trend of sponsor disfavour with violence programs, others argue that various sponsors (about 15 per cent) have always had reservations about violence and the proportion of sponsors falling into this category has not changed.²²

Various groups in the U.S. have been leading an assault on violence in TV and have directed their complaints to the sponsors of such programs. During 1976 the American Medical Association approved a resolution condemning crime and violence in TV programs and called on its members and families to oppose products and services sponsoring such programs. The National Association for Better Broadcasting, a media activist group, has been approaching advertisers with complaints about their support of various programs. And still another group, The National Citizens Committee for Broadcasting has been engaged in ranking network programs on the basis of violence and publicizing the names of companies sponsoring them.

Further evidence of advertisers taking into consideration possible negative effects of violence when placing their commercials comes from the Canadian scene. CITY-TV recently reported that large advertisers have been reluctant to have their commercials used on the program "The Quest" a western shown on CITY in the same time slot as on NBC. This program was ranked by the National Citizens Committee for Broadcasting as the most violent of the programs shown on the U.S. networks in the 1976-77 season. (It has recently been cancelled.) However, CITY also reported the some local retailers found that the program delivered the audiences they desired.²³

B. Canadian Television Programming Program Production, and Audiences

1. Factors Influencing Canadian Programming

As in the U.S. case, the oligopoly nature of Canadian television is obvious, with only two major networks, one relatively small network, and several independent stations. In addition, the Canadian networks face competition from U.S. networks and stations, particularly the border areas and areas served by cable, and this tends to fragment the small Canadian audience.

There is no question that a major determinant of Canadian programming is U.S. programming, with the two countries constituting practically a common market for U.S. TV programming. Canadian networks are to a large degree constrained by what is shown by U.S. television and will not deviate significantly from that format or those program-types. American and Canadian viewer tastes and TV habits are very similar and for a Canadian station to deviate significantly in a common-coverage area will likely mean a loss of audience.

The cost constraint is also a major factor in Canadian television programming. Canadian TV networks and stations rely heavily on foreign productions, particularly from the U.S., which can be obtained at only a fraction of the cost of Canadian productions. As shown in Tables III-11 and III-12, certain U.S. productions, particularly situation-comedies such as "All In The Family," "Rhoda," "Chico and The Man," can be obtained for \$2,000 for a one-half hour episode. Movies can be obtained for \$8,000 and police/detective, action/adventure and drama programs such as "The Streets of San Francisco," "Kojak," "The Waltons," "Medical Centre," and

TABLE III-11

CBC NETWORK PRIME TIME SCHEDULE (Winter 1975)

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
7:00	Local	Local	Local	Local	Local	Local	Beachcombers* \$24,000 65,000 -41,000
7:30	Local	Black Beauty \$24,000 2,000 +22,000	Time Machine* \$24,000 15,000 +9,000	House of Pride* \$24,000 30,000 -6,000	Howie Meeker* Mr. Chips \$24,000 20,000 +4,000	Maude \$24,000 2,000 +22,000	Irish Rovers* \$24,000 15,000 +9,000
8:00	Mary Tyler Moore \$24,000 2,000 +22,000	Happy Days \$24,000 2,000 +22,000	Nature of Things* This Land \$24,000 15,000 +9,000	Carol Burnett \$48,000 4,000 +44,000	All in the Family \$24,000 2,000 +22,000	Hockey Night in Canada* The Pallisors \$48,000 4,000 +44,000	The Waltons
8:30	This is the Law* \$24,000 8,500 +15,500	Police Story* \$48,000 4,000 +44,000	Musicamera* \$48,000 40,000 +8,000		Mash \$24,000 2,000 +22,000		
9:00	Cannon \$48,000 4,000 +44,000			Stompin Tom's Canada* \$24,000 15,000 +9,000	Tommy Hunter* \$48,000 30,000 +18,000		Sam Adams Collaborators* Anthology Drama Performance \$48,000 120,000 -72,000
9:30		Front Page Challenge* \$24,000 8,500 +15,500	Third * Testament/ Specials \$48,000 40,000 +8,000	Chico and the Man \$24,000 2,000 +22,000			
10:00	Naked Mind* Middle Age Old Timers \$9,500 15,000 -5,500	Up Canada* \$9,500 15,000 -5,500		Adrienne* at Large \$9,500 15,000 -5,500	Rhoda \$24,000 2,000 +22,000		Market Place Documentary* \$9,500 15,000 -5,500
10:30	People of Our Time/ Man Alive* \$8,500 15,000 -6,500	News-magazine* \$8,500 15,000 -6,500	First Person Singular/ Pacific Canada* \$8,500 20,000 -11,500	Some Honorable Members* \$8,500 15,000 -6,500	Man about the House/ Gallery \$20,500 2,000 +18,500		Ombudsman* \$8,500 15,000 -6,500

Source: CRTC Document

*Canadian productions

Revenue - Costs = Margin per program

CTV NETWORK PRIME TIME SCHEDULE (Winter 1975)

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
7:00	Ian Tyson* \$16,000 15,000 <u>+1,000</u>	Headline Hunters* \$16,000 8,500 <u>+7,500</u>	That's My Mama \$23,000 2,000 <u>+21,000</u>	Funny Farm* \$16,000 15,000 <u>+1,000</u>	Swiss Family Robinson* \$16,000 65,000 <u>-49,000</u>	Emergency \$46,000 4,000 <u>+42,000</u>	Born Free \$46,000 4,000 <u>+42,000</u>
7:30	\$6,000,000 Man \$46,000 4,000 <u>+42,000</u>	Tuesday Night Movie \$79,000 6,000 <u>+73,000</u>	Local	Excuse My French* \$16,000 30,000 <u>-14,000</u>	The Rookies \$46,000 4,000 <u>+42,000</u>		
8:00			Hockey* Movies	Kung Fu \$46,000 4,000 <u>+42,000</u>		Academy Performance \$92,000 12,500 <u>+79,500</u>	Kojak \$46,000 4,000 <u>+42,000</u>
8:30	Streets of San Francisco \$46,000 4,000 <u>+42,000</u>				Adam 12 \$23,000 2,000 <u>+21,000</u>		
9:00		Marcus Welby \$46,000 4,000 <u>+42,000</u>		Police Surgeon* \$16,000 65,000 <u>-49,000</u>	Friday Mystery Movie \$92,000 8,000 <u>+84,000</u>		Medical Centre \$46,000 4,000 <u>+42,000</u>
9:30	pig'n Whistle* \$16,000 15,000 <u>+1,000</u>			Maclear* \$16,000 15,000 <u>+1,000</u>			
10:00	Ironside \$46,000 4,000 <u>+42,000</u>	Harry O \$46,000 4,000 <u>+42,000</u>		Nakia \$46,000 4,000 <u>+42,000</u>		Local	W5* \$32,000 30,000 <u>+2,000</u>
10:30			Banjo Parlour* \$16,000 15,000 <u>+1,000</u>			Local	

Source: CRTC Document

*Canadian Productions

Revenue - Costs = Margin per program

"Marcus Welby," can be purchased for \$4,000 for each one hour episode. In comparison, Canadian productions are very expensive. Samples of police/detective and action/adventure are "Police Surgeon"—\$65,000 and "Swiss Family Robinson"—\$65,000. The cost of such productions is approximately \$2,000 per minute. Musical variety programs and documentaries are less costly to produce (approximately \$500 per minute) but still cost the networks considerably more than the purchase of U.S. productions. Examples are: "Irish Rovers"—\$15,000; "Pig'n Whistle"—\$15,000; "Ombudsman"—\$15,000; "W5"—\$30,000; "Newsmagazine"—\$15,000.

In addition to being less costly to Canadian networks, U.S. programs are generally viewed by a larger Canadian audience (as shown above and noted also in Table III-13), and produce considerably more gross revenue per half hour or one hour program. As illustrated in Table III-13, of CTV's showings in the 1974-75 season, Canadian productions in prime-time accounted for approximately 42.5 per cent of total program costs but yielded only 23 per cent of revenue while U.S. productions in prime-time accounted for 12.8 per cent of total costs but constituted 49 per cent of total revenues. Revenue comparisons are also shown in Tables III-11 and III-12. Examples of revenue produced by U.S. police/detective productions are:: "Cannon"—\$48,000; "Police Story"—\$48,000; "Streets of San Francisco"—\$46,000 (per one hour episode). In contrast Canadian produced police/detective programs of a similar type such as "Police Surgeon" produced \$16,000 for a half-hour episode. A comparison of musical varieties is more favourable to Canadian productions. For example, a one hour "Carol

TABLE III-13

CTV TELEVISION NETWORK LTD.

NETWORK SALES TIME PROGRAMS - 1974/75 SEASON (EXCLUDING SPECIALS)

St. Hshlds. Per Avg. Hr. (000's)	CPM Using 52 Time 30/30 Rate	Yearly Program Costs (\$000)	% of Total Program Costs	Bookings As Of Aug. 31, 1975 (\$000)	% Of Total Bookings	Net (\$000)
CANADIAN PRIME						
Excuse My French	610	\$ 780.0	6.8	\$ 574.3	2.4	(205.7)
Funny Farm	715	494.0	4.3	531.8	2.2	37.8
Headline Hunters	620	218.4	1.9	598.2	2.5	379.8
Maclear	803	513.0	4.5	598.4	2.5	85.4
Pig'n Whistle	734	431.6	3.8	598.3	2.5	166.7
Police Surgeon	830	520.0	4.5	591.0	2.5	71.0
Swiss Family Robinson	784	390.0	3.4	586.8	2.5	196.8
Ian Tyson	652	463.5	4.1	602.3	2.5	138.8
W-5	487	1,050.1	9.2	843.4	3.6	(206.7)
		\$ 4,860.6	42.5	\$ 5,524.5	23.2	663.9
FOREIGN PRIME						
Emergency	879	\$ 192.4	1.7	\$ 1,641.1	6.9	1,448.7
Harry-O/Tony Orlando/Cher	1,003	216.2	1.9	1,665.6	7.0	1,449.4
Ironside/Archer/Sweeney	805	184.5	1.6	1,715.2	7.2	1,530.7
Kojak	1,055	212.0	1.9	1,760.9	7.4	1,548.9
Mystery Movie	827	378.0	3.3	3,291.7	13.8	2,913.7
Marcus Welby	754	231.4	2.0	1,650.5	7.0	1,419.1
		\$ 1,414.5	12.4	\$11,725.0	49.3	10,310.5
OFF PRIME						
News	460	\$ 2,151.5	18.8	\$ 1,740.3	7.3	(411.2)
Canada A.M.		1,177.4	10.3	371.5	1.5	(805.9)
Untamed World	456	260.0	2.3	313.4	1.3	53.4
Wide World of Sports	378	255.4	2.2	750.8	3.2	495.4
Daytime	563	1,192.8	10.4	2,640.9	11.1	1,448.1
		\$ 5,037.1	44.0	\$ 5,816.9	24.4	779.8
Backgrounder		\$ 122.3	1.1	\$ 728.3	3.1	606.0
		\$11,434.5	100.0	\$23,794.7	100.0	12,360.2

Source: CTV Television Network presentation at the CRTC Hearings, Ottawa, Nov. 4, 1975.

Burnett" program brought \$48,000 in revenue. Canadian productions, such as "Tommy Hunter," "Irish Rovers," and "Stompin Tom's Canada" yielded an equivalent amount per minute. However, "Carol Burnett" cost the CBC network only \$4,000 in comparison to \$30,000 for the Canadian counterparts (\$15,000 for a half-hour program). In terms of net revenue, the showing of U.S. productions by Canadian networks are considerably more profitable than Canadian productions.

The CTV and Global Television presentation at the recent CRTC hearings illustrated the problem with Canadian productions. Of the programs used as examples by Global and illustrated in Table III-14, not one showed a profit for the network. Such statistics were presented by Global and CTV to support their argument that, in the words of the president of CTV, "domestic programmes are not self-sustaining" and that "without relatively economic foreign sources of programming to generate surplus revenue, we couldn't sustain our present level of Canadian production."²⁴ It would appear that to a large extent, it is only Canadian content legislation which prevents a private network such as CTV from relying almost completely on American programs, except for such items as the news or sports. The publicly supported CBC, on the other hand, without this legislation would likely continue to bring some Canadian produced programs or risk losing its public financial support.

CRTC regulations currently restrict non-Canadian programming to 40 per cent of broadcast time between the hours of 6:00 am and midnight. This also applies to a public network or station for the hours of 6:00 pm and midnight, while a private network or station is restricted to 50 per cent non-

TABLE III-14

GLOBAL TELEVISION NETWORK

FINANCIAL STATEMENT ON INDEPENDENT CANADIAN PRODUCTIONS 1974-75 SEASON

<u>Program</u>	<u>Season or Showing</u>	<u>Audience</u>	<u>Cost</u> \$	<u>Revenue</u> \$	<u>Net</u> \$
Braden Beat	One hour	82,800	17,000	4,032	
Witness to Yesterday	30 minutes	104,600 (Mar/74)	7,100	--	
World of Wicks	Sept/74-Aug/75	--	136,000	9,469	(126,531)
Wildlife Cinema	Sept/74-Aug/75	--	126,000	15,694	(110,306)
My Country	Sept/74-Aug/75	--	81,000	26,244	(54,756)
Shh! It's The News	Sept/74-Aug/75	145,000 (Mar/75)	272,000	132,294	(139,706)
The Great Debate	--	--	263,560	213,594	(49,966)
Total Independent Canadian Productions	Sept/74-Aug/75	--	1,349,554	430,177	(919,377)

Source: Global Television Network presentation at the CRTC Hearing, Ottawa,
November 5, 1975

Canadian programming for the hours 6:00 pm to midnight.

This reliance on foreign TV programs to, in a sense, subsidize the production and showing of domestic programs is not unique to Canada. It is also true of British television and most European television as evident from the following:

. . . the low purchase price of old films and mass audience TV series helps to cross-finance home produced series, arts programs, modern drama, and cultural production in general [in Britain]. It is a strategy employed in one form or another by most European TV networks; although the smaller, poorer networks are obviously more dependent on bought programs—particularly in the field of entertainment—than the richer ones.

Arts programs and drama are produced at between ten and fourteen times the cost per viewer hour of purchased programs.²⁵

2. Characteristics of Network Programming

Some of the features of Canadian network programming (CBC and CTV) can be observed from Tables III-15 to III-19. Using the methods outlined earlier, diversity and homogeneity indicators were calculated for the two seasons 1975 and 1976. The diversity indicator, measuring the extent to which prime-time (8:00 pm to 11:00 pm; 7:00 pm to 11:00 pm on Sunday) is dominated by a few program types was lower for CTV in both seasons, showing that CTV had less diversity in its schedules than CBC. As can be observed in Tables III-17 and III-18, two categories of programs, police/detective and movies, dominated prime-time in CTV in 1975, representing 31.6 per cent and 21.1 per cent of prime-time hours respectively, for a combined total of 52.7 per cent. In 1976, police/detective (31.6 per cent) combined with action/adventure (21.1 per cent) to again constitute 52.7 per cent of prime-time. All of these programs were American. The two most important program

TABLE III-15

CBC AND CTV NETWORK PRIME-TIME PROGRAMMING: EARLY FALL 1975

SERIES TITLE, RATING, AND PROGRAM CLASSIFICATION

Day	CBC			CTV		
	Hour	Series Title	Rating ^a	Program Class	Series Title	Rating
Monday	8:00	*Rhoda	14	Sit/Com	*Invisible Man	14
	8:30	Front Page Challenge	11	Quiz		
	9:00	*All in the Family	20	Sit/Com	*Petrocelli	10
	9:30	*Chico and The Man	13	Sit/Com		
	10:00	New Wave	5	Doc/Pub.	Grand Old Country	7
Tuesday	10:30	People of Our Time	3	Aff/Ed	Pig'n Whistle	5
	8:00	*Happy Days		Doc/Pub.		
	8:30	This is the Law	9	Aff/Ed	*Good Times	11
	9:00	Fifth Estate	6	Sit/Com	John Allen Cameron	6
	9:30	*Doctor's Hospital	6	Quiz	*Rookies	11
Wednesday	10:00			Doc/Pub.		
	10:30			Aff.		
	9:30			Drama	Local	
	8:00	Baseball/Football	5	Sports	*Joe Forrester	8
	8:30					
Thursday	9:00				CFL Football	
	8:00	*Carol Burnett	13	Variety	* (Harry-O) b	(9)
	8:30					
	9:00	King of Kensington	8	Sit/Com.		
					*Fay	7
					*Streets of San Francisco	10
						Sit/Com.
						Pol/Det
						Sports
						(Pol/Det)

Day	CBC			CTV		
	Hour	Series Title	Rating ^a	Program Class	Series Title	Rating
Thursday	9:30	Local			Maclear	6
	10:00	Local			Local	
	10:30	Local				
Friday	8:00	*Mary Tyler Moore	13	Sit/Com	*Friday Mystery Movie	12
	8:30	*M.A.S.H.	15	Sit/Com		
	9:00	Touch the Earth	5	Variety		
	9:30					
	10:00	Local			*Switch	3
Saturday	10:30	Local				
	8:00	All Around the Circle	5	Variety	*Academy Performance	12
	8:30	Billy Liar	4	Sit/Com		
	9:00	Sinners	3	Drama		
	9:30					
Sunday	10:00	Gallery	3	Doc/Pub. Aff/Ed	Local	
	10:30	To See Ourselves	3	Doc/Pub. Aff/Ed		
	7:00	Beachcombers	11	Ac/Ad	*\$6 Million Man	15
	8:00	*Waltons	11	Ac/Ad	*Cher	12
	8:30					
Sunday	9:00	Sidestreet	6	Pol/Det	*Kojak	12
	9:30					
	10:00	Market Place	8	Doc/Pub. Aff/Ed	W-5	5
	10:30	Ombudsman	7	Doc/Pub. Aff/Ed		

^aAll Persons 2+ (Common Coverage Area) ^bShown if no football scheduled

*U.S. or other foreign

Source: BBM, Television Network Report, Early Fall 1975

TABLE III-16

CBC AND CTV NETWORK PRIME-TIME PROGRAMMING: EARLY FALL 1976

SERIES TITLE, RATING AND PROGRAM CLASSIFICATION

<u>Day</u>	<u>CBC</u>			<u>CTV</u>		
	<u>Hour</u>	<u>Series Title</u>	<u>Rating^a</u>	<u>Program Class</u>	<u>Series Title</u>	<u>Rating^a</u> <u>Program Class</u>
Monday	8:00	*Rhoda	13	Sit/Com	*Waltons	10 Ac/Ad
	8:30	Phyllis	12	Sit/Com		
	9:00	Front Page Challenge	12	Quiz	Pig'n Whistle	6 Variety
	9:30	*All in the Family	15	Sit/Com	*One Day at a Time	9 Sit/Com
	10:00	CBC Newsmagazine	5	Doc/Pub.	*Streets of San Francisco	12 Pol/Det
Tuesday	10:30	Man Alive	4	Aff/Ed		
				Doc/Pub.		
				Aff/Ed		
	8:00	*Happy Days	17	Sit/Com	*Bionic Woman	16 Ac/Ad
	8:30	King of Kensington	8	Sit/Com		
Wednesday	9:00	*M.A.S.H.	15	Sit/Com	*The Practice	7 Sit/Com
	9:30	Fifth Estate	7	Doc/Pub.	Julie	4 Variety
	10:00			Aff/Ed		
	10:30	*Barney Miller	5	Sit/Com	*Switch	9 Pol/Det
Thursday	8:00	New Wave	4	Doc/Pub.	Local	
	8:30	One Canadian	4	Aff/Ed		
	9:00	Front Row Centre	4	Doc/Pub.		
	9:30			Aff/Ed		
	10:00			Drama		
Thursday	10:30	Royal Suite	3	Drama		
Thursday	8:00	*Carol Burnett	12	Variety	*Gemini Man	12 Ac/Ad
	8:30					

Day	Hour	CBC			CTV		
		Series Title	Rating ^a	Program Class	Series Title	Rating ^a	Program Class
Thursday	9:00	Quiet Olympics	3	Doc/Pub. Aff/Ed	*Nancy Walker Show	8	Sit/Com
	9:30				Maclear	5	Doc/Pub. Aff/Ed
	10:00 10:30	*Upstairs/Downstairs	4	Drama	*Delvecchio	6	Pol/Det
Friday	8:00	*Mary Tyler Moore	11	Sit/Com	*Donny & Marie	13	Variety
	8:30	*Chico and The Man	10	Sit/Com			
	9:00	Tommy Hunter	8	Variety	*Rockford Files	9	Pol/Det
	9:30						
	10:00 10:30	Local			*Serpico	7	Pol/Det
Saturday	8:00	Hockey Night in Canada	13	Sports	*Academy Performance	8	Movie
	8:30						
	9:00						
	9:30						
	10:00 10:30	Stay Tuned	5	Variety			
Sunday	7:00	Beachcombers	11	Ac/Ad	*Six Million Dollar Man	15	Ac/Ad
	7:30	Super Special	4	Variety			
	8:00				*Sonny & Cher	14	Variety
	8:30	*Tony Randall	7	Sit/Com			
	9:00	Sidestreet	4	Pol/Det	*Kojak	11	Pol/Det
	9:30						
	10:00 10:30	Flight	4	Doc/Pub Aff/Ed	W-5	5	Doc/Pub. Aff/Ed

^aAll persons 2+ (Common Coverage Area)
 *U.S. or other foreign
 Source: BBM, Television Network Report, Early Fall 1976

categories in CBC in both seasons were situation-comedy and documentary/public affairs/education. Each category absorbed 20.5 per cent of prime-time in 1975 and 23.8 per cent in 1976. In both seasons, the combined networks in Canada were more diverse than the combined U.S. networks.

A homogeneity indicator, measuring the extent to which the content of the network schedules resemble one another, was also calculated for each season and is shown in Tables III-17 and III-18. The indicators are relatively high at 95.5 for 1975 and 120.8 for 1976. The primary distinctions between the schedules of CBC and CTV in both seasons were the differences in the number of hours devoted to police/detective, situation-comedy, documentary/public affairs/education, and movies. Taking 1976 as an example, police/detective absorbed 31.6 per cent of time for CTV, compared to only 4.8 per cent for CBC; situation-comedy - 1.5 per cent for CTV, 23.8 per cent for CBC; documentary/public affairs/education - 7.9 per cent for CTV, 23.8 per cent for CBC; and movies - 15.8 per cent for CTV, 0 for CBC. CTV devoted considerably more of its prime-time to the physical action/conflict type programs common on U.S. networks. Police/detective, action/adventure, and movies accounted for 63.2 per cent of CTV prime-time in 1975 and 68.5 per cent in 1976. In contrast, these three categories absorbed 15.4 per cent of CBC prime-time in 1975 and 8.8 per cent in 1976.

A comparison of the content of the prime-time schedules of CBC and CTV with each of the three U.S. networks by the computation of homogeneity indicators shows that the CTV schedule has much greater similarity to the U.S. network

TABLE III-17

CBC AND CTV NETWORK PRIME-TIME PROGRAMMING: EARLY FALL 1975
HOURS AND PROPORTION OF PROGRAMMING BY CLASS

Program Class	CBC		CTV		Combined Networks	
	Hours	%	Hours	%	Hours	%
Police/Detective	1	5.1	6	31.6	7	18.2
Situation-Comedy	4	20.5	1	5.3	5	13.0
Action/Adventure	2	10.3	2	10.5	4	10.4
Drama	2	10.3	-	-	2	5.2
Quiz	1	5.1	-	-	1	2.6
Documentary/Public Affairs/Education	4	20.5	1.5	7.9	5.5	14.3
Sports	3	15.4	2	10.5	5	13.0
Variety	2.5	12.8	2.5	13.2	5	13.0
Movie	-	-	4	21.1	4	10.4
Total	19.5	100.0	19	100.0	38.5	100.0

Diversity Indicator 43.6 34.1 54.5
(Possible range 0-66.6)

Homogeneity Indicator 95.5
(Possible range 0-200)

Note: A. Prime-time is defined as 8:00 pm to 11:00 pm Monday through Saturday and 7:00 pm to 11:00 Sunday. This permits comparisons with U.S. network statistics and more accurately reflects the "prime" viewing hours than 6:00 pm to midnight.

B. "Local" time periods are not attributed.

Source: Tables III-15 and III-16.

TABLE III-18

CBC AND CTV NETWORK PRIME-TIME PROGRAMMING: EARLY FALL 1976
HOURS AND PROPORTION OF PROGRAMMING BY CLASS

	CBC		CTV		Combined Networks	
<u>Program Class</u>	<u>Hours</u>	<u>%</u>	<u>Hours</u>	<u>%</u>	<u>Hours</u>	<u>%</u>
Police/Detective	1	4.8	6	31.6	7	17.5
Situation-Comedy	5	23.8	1.5	7.9	6.5	16.3
Action/Adventure	1	4.8	4	21.1	5	12.5
Drama	3	14.3	-	-	3	7.5
Quiz	.5	2.4	-	-	.5	1.2
Documentary/Public Affairs/Education	5	23.8	1.5	7.9	6.5	16.3
Sports	2.5	11.9	-	-	2.5	6.3
Variety	3	14.3	3	15.8	6	15.0
Movie	-	-	3	15.8	3	7.5
Total	21	100.0	19	100.0	40	100.0

Diversity Indicator (Possible range 0-66.6)	38.8	31.5	49.9
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Homogeneity Indicator (Possible range 0-200)	120.8
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Note: A. Prime-time is defined as 8:00 pm to 11:00 pm Monday through Saturday and 7:00 pm to 11:00 Sunday. This permits comparisons with U.S. network statistics and more accurately reflects the "prime" viewing hours than 6:00 pm to midnight.

B. "Local" time periods are not attributed.

C. In the case of CTV (1976) Wednesday 8:00 pm to 11:00 pm is indicated as "local" during the BBM rating period. More frequently this period is devoted to Canadian sports which would reduce the overall prime-time foreign content to 63.43 per cent.

Source: Tables III-15 and III-16.

schedules than does the CBC schedule. CTV, by stressing police/detective, action/adventure, and movies more closely resembles NBC than either ABC or CBS.

It could be expected that CBC, heavily financed by parliamentary appropriations and not relying solely on advertising revenue, would not necessarily be bound by the constraints of the private networks and could more readily offer a greater diversity of programs and experiment with minority interest programs. However, one has only to compare the Sunday prime-time schedules of CBC and CTV to find that these two networks do engage in pitting similar type programs against one another. Examples have also been cited by CTV where that network had scheduled a particular program, such as a wildlife-adventure, only to be quickly followed by a scheduling of a similar wildlife program by CBC in exactly the same time spot.²⁶

Another feature of Canadian network programming is the much greater reliance by CTV on U.S. programs in prime-time as compared to CBC. In 1976, 86.8 per cent of CTV network prime-time programming was accounted for by U.S. (or other foreign) programs as compared to 31.0 per cent for CBC. See Note C, Table III-18. CTV, however, surpassed CBC in the overall average rating (common-coverage area ratings based on the equivalent of one-half hour programs) in 1976 with a rating of 9.4 in comparison to 7.9 for CBC.

Table III-19 shows the average ratings by program category for prime-time programming by the combined networks in 1975 and 1976. In 1975, action/adventure was rated the highest, followed by situation-comedy, and movies. Police/detective

TABLE III-19
 CBC AND CTV NETWORK PRIME-TIME PROGRAMS BY CATEGORY:
 AVERAGE RATING
 EARLY FALL 1975 AND 1976

<u>Program Category</u>	<u>1975</u>	<u>1976</u>
Police/Detective	9.3	8.3
Situation/Comedy	12.3	10.5
Action/Adventure	12.8	12.8
Drama	4.5	3.8
Quiz	10.0	12.0
Documentary/Public Affairs/ Education	5.2	4.6
Sports	5.0	13.0
Variety	8.3	9.0
Movie	12.0	8.0

Source: Tables III-15 and III-16.

ranked fifth. In 1976, again action/adventure was near the top, but police/detective ranked sixth. In both years drama and documentary/public affairs/education were the two lowest rated program categories.

3. Production and Distribution of Canadian TV Programs

One of the differences in the operations of Canadian and U.S. networks is that Canadian networks tend to rely more heavily on "in-house" production of programs for prime-time. This tendency, plus the reliance on foreign programs, has left few time slots in network programming for the showing of programs produced by independent producers. One of the major complaints of independent producers is insufficient access to air-time on Canadian television networks and stations.²⁷ An examination of the prime-time schedules of the CBC and CTV networks for the winter of 1975 shows not one Canadian program which was not produced by the networks or by networks using the facilities of affiliate stations, although two, "Police Surgeon" and "Swiss Family Robinson" were co-productions with independents. In the 1975-76 season, out of a total of about 1,200 hours of original programming for the CTV network, 6 1/2 hours were devoted to the work of independent Canadian producers or .54 per cent. This was a drop from nine hours of original programming in the previous season. In 1973-74 the CBC incurred operating expenses of \$246.7 million of which six per cent or approximately \$15 million was spent on "film rights or commissioned productions." The amount spent on English TV programming (network time periods and local station time periods—CBC produced) was 85.1 million. In other words,

of approximately \$100 million spent for TV programming, \$15 million was paid for outside productions, including foreign programs.²⁸

Programs produced in Canada for television by independent producers are unlikely to make a profit from sales to the Canadian networks or stations. These programs, if they can find a market in Canadian networks, are generally sold to the networks at only a fraction of the cost of production and must rely on subsequent sales, particularly in the foreign market, to cover the remaining costs and yield a profit.²⁹ Some independent producers have made attempts, with some success, to break into foreign markets, other than the U.S., particularly Europe and Japan. Among the successful productions, some have been marketed in both Canada and abroad while others have been produced exclusively for the foreign market. In this latter area the content of the programs is very constrained, until recently, being limited primarily to information programs or documentaries and relatively few in number.

In essence, budget and market limitations restrict independent producers to such subjects as wildlife documentaries, educational or religious programs, talk shows, or musicals, all primarily for non-prime-time showing. In prime-time, even the Canadian networks make little attempt to compete for audiences with American stations in the production of physical action/conflict type programs of the "Cannon," "Kojak" nature. The non-Canadian time permitted in evening hours is filled with American produced programs made available at \$2,000 to \$4,000 per episode. The Canadian portion of broadcast time in this period is filled primarily with news programs, musicals,

sports, and documentaries/public affairs, education programs.

4. TV Programming and Advertising

American TV programs shown on Canadian networks generally receive higher ratings than Canadian programs and consequently commercial time can be more readily sold to advertisers. This, combined with the low cost of acquiring U.S. shows, is of extreme importance for the Canadian TV networks and stations which are not publicly funded as was discussed earlier.

Beginning in the fall of 1976, the cost to an advertiser for 30 seconds of prime-time on the full English CBC-TV network was \$3,587 if he signed up at the rate of two commercials a week for 52 weeks. A similar commercial under similar conditions on the CTV network cost \$2,974. Statistics show that in Canada, television is the most popular medium for advertising, followed by daily newspapers, with radio a distant third. This is illustrated in Table III-20.

TABLE III-20
NATIONAL ADVERTISER EXPENDITURE IN
MEASURED MEDIA, 1975

<u>Medium</u>	<u>Investment (\$ million)</u>	<u>Share (%)</u>	<u>Increase 1974</u>	<u>Increase 1973/74</u>
Television	261.3	48	14	(%) 15
Daily Newspapers	141.4	26	25	9
Radio	55.8	10	10	7
Consumer Magazines	50.2	9	8	22
Weekend	29.4	5	1	1
Farm	6.6	1	5	15
Total	544.7	100	14	13

Source: Television Basics 1976-77, TVB of Canada

Newspapers showed the greatest increase in advertising expenditure in 1975 from the 1974 level at 25 per cent, and they expect to continue to gain over the next few years. Richard Thompson, director of sales for the Advertising Bureau of Canadian Daily Newspapers believes that TV is in a "sold-out" position to major advertisers and advertisers with relatively small budgets (\$300,000 to \$500,000), not being able to make a national impact with TV campaigns, turn to the newspapers. The TV industry, on the other hand, disputes this and does not expect any significant decline in its share of national advertising dollars.³¹

5. Characteristics of Canadian Television Audiences

According to recent Nielsen figures, the average daily viewing per household in Canada is five hours and 56 minutes; BBM figures indicate an average weekly viewing per person of 23 hours and 52 minutes; and the CBC calculated an average daily viewing per adult of about four hours—and weekly viewing times per person are still increasing. The same numbers of people watch television daily, but more time is spent watching on Saturdays and Sundays than on weekdays. Children are attracted to "kid-vid" in the morning and early afternoon weekend periods. Adults watch more heavily in the afternoons and in the 6:00 to 9:00 pm period on Sundays, later on Saturdays. Prime-time programs not scheduled in these peak hours of heaviest viewer concentration generally received lower ratings.³²

In 1973 the CBC published the results of a study it conducted on the patterns of TV viewing in Canada. The findings showed that TV viewing is an important leisure time

activity, that age and occupation were determining factors, that women spent more time watching TV than men, and that TV viewing varies inversely with the level of education.³³ A study on leisure activity conducted at approximately the same time by the Secretary of State found similar viewing patterns. The findings of the Secretary of State are presented in Tables III-21, III-22 and III-23.³⁴

Among the highlights of the TV audience which can be observed from these tables are the following:

a) People aged 14-34 formed 47 per cent of the total viewing audience; the group aged 14-44 constituted 64 per cent of the audience. The elderly (aged 65 and over) along with the young (aged 14-24) have the highest frequency of heavy viewing of all groups.

b) The time spent watching TV varies inversely with the level of education. Forty-seven per cent of those with less than grade 9 education were heavy viewers, compared to only 18 per cent of those who completed university.

c) On the basis of occupation, the highest frequency of heavy TV viewing was among housewives, followed closely by students and then the unemployed.

Studies³⁵ suggest that a large majority of the Canadian population feels that the prime function of television is to provide entertainment, relaxation, escape and relief from the cares of life. Since regularly programmed radio was first introduced, large numbers of Canadians have been exposed to U.S. mass media. With the advent of TV this tendency increased, and cable further extended the range of American programming beyond the border areas. When Canadians look for relaxation

TABLE III-21

DISTRIBUTION OF TELEVISION AUDIENCE AND FREQUENCY OF PARTICIPATION BY AGE GROUP

Age	% of age group viewing TV	Distribution of television viewing Age groups as % of total population 14 years and over viewing TV			Frequency of TV viewing % of age group		
		Light	Medium	Heavy	Light	Medium	Heavy
14-19	96	16	20	18	28	31	41
20-24	95	10	10	11	31	29	41
25-34	96	18	18	18	31	29	40
35-44	95	19	17	14	36	31	34
45-64	94	28	25	25	33	29	38
65+	89	9	8	13	26	23	51
Total	94	-	-	-	32	29	40

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Source: Secretary of State, A Leisure Study - Canada 1972 (Ottawa, 1973)

with television, they apparently look to American stations and shows. While U.S. TV (channels or stations) is more popular than Canadian TV, U.S. programs (shows) are even more popular than Canadian shows (Table III-24, III-25). The Canadian public sees American programs as better acted, more entertaining, more varied in subject and most significantly more violent; Canadian programs are classified as more informative and more realistic (Table III-26).

Table III-27 indicates that preference for U.S. television programming increases with decreasing age, and does so quite dramatically. Almost half of those respondents over 50 years old considered Canadian programs to be as good as or better than American offerings, but the younger groups all preferred American programming. These preferences and opinions are translated into actual viewing behaviour, and it is assumed that such viewing is sustained over time. By extension, as the young American-preferring audience matures, with a younger and perhaps even more American-oriented audience to occupy themselves with U.S. TV, the audience for Canadian English-language television programs cannot help but constantly shrink over time, and as the audience shrinks, so does advertiser support.

This preference for American programs is further evidenced in Tables III-15 and III-16. The programs with the highest rating were primarily U.S. produced situation-comedies, action/adventure, variety, and police/detective programs. More specifically, a comparison of Canadian produced variety programs with U.S. produced variety programs shown on the CBC and CTV networks in 1975 and 1976 in prime-time shows that

TABLE III-24

PREFERENCES OF CANADIANS FOR AMERICAN TV STATIONS
BY AGE

	Age				<u>Total</u>
	<u>Under 20</u>	<u>20-24</u>	<u>25-44</u>	<u>Over 44</u>	
Canadian TV	40%	38%	38%	42%	43%
American TV	58	58	59	45	54
Did not state	<u>2</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>
	100%	100%	100%	100%	100%

Source: Special Senate Committee on Mass Media, Vol. III,
p. 131.

TABLE III-25

PREFERENCES OF CANADIANS FOR AMERICAN SHOWS
BY AGE

	Age				<u>Total</u>
	<u>Under 20</u>	<u>20-24</u>	<u>25-44</u>	<u>Over 44</u>	
Canadian Shows	30%	29%	32%	43%	35%
American Shows	68	67	64	51	60
Did not state	<u>2</u>	<u>4</u>	<u>4</u>	<u>6</u>	<u>5</u>
	100%	100%	100%	100%	100%

Source: Special Senate Committee on Mass Media, Vol. III,
p. 131.

TABLE III-26

COMPARISON OF AMERICAN AND CANADIAN TELEVISION
PROGRAMS ON CERTAIN CHARACTERISTICS

	<u>American</u>	<u>Canadian</u>	<u>No Difference</u>	<u>Don't Know</u>	<u>Total</u>
Which generally . . .					
. . . have better acting?"	60%	11%	21%	8%	100%
. . . are more entertaining?"	65	11	18	6	100
. . . tell you more about what's going on in the world?"	24	44	23	9	100
. . . are more realistic?"	21	44	23	12	100
. . . have more violence?"	78	2	14	7	100
. . . are more varied in the subjects they cover?"	48	23	18	10	100

Source: CBC. What the Canadian Public Thinks of Television and of the TV Services Provided
by CBC. Research, Department, Canadian Broadcasting Corporation, February 1974,
p. 114.

TABLE III-27
PREFERENCE IN ENGLISH CANADA FOR AMERICAN
OR CANADIAN TV PROGRAMS: BY AGE OF VIEWER

	Age					Total
	18-24	25-34	35-49	50-64	65 plus	
American programs are better	60%	56%	51%	43%	41%	50%
Canadian programs are better	12]	10]	11]	11]	13]	11]
	35	39	43	47	49	42
The same, no preference	23]	29]	32]	36]	36]	31]
Don't know	6	6	7	10	10	7
	100%	100%	100%	100%	100%	100%

Source: CBC. What the Canadian Public Thinks of Television and of the TV Services
Provided by CBC. Research Department, Canadian Broadcasting Corporation,
February 1974, p. 113.

the U.S. programs received considerably higher ratings.

Preferences for different programs and classes of programs by age groups are indicated in Table III-28. This table contains a sample of various programs within six identified program types shown in prime-time along with their ratings. The ratings, for each age group, indicating preferences, are distorted to a degree, particularly for the young, because of the fact that certain programs, such as police/detective are shown in the later hours. Nevertheless certain observations can be made. Police/detective programs are more popular among the age group 18 years and over than the other groups, whereas situation-comedy, and action/adventure are more popular among the teenage group. The action/adventure programs were also highly rated by children aged 2-11. Musical/variety programs were more popular among the adult group, as were public affairs and documentary programs.

Of the police/detective programs listed in Table III-28, the age group 17 years and under comprised 22 per cent or less of the total audience viewing these programs. It is interesting to note that the most popular of the police/detective programs among this age group was "The Rookies," rated in July 1976 by the NCCB as the second most violent program shown on television. When younger Canadians watch television, they are even more relaxation- and entertainment-oriented than their elders and they therefore choose American programs which they believe to be superior on these dimensions. It may be then, as Vernone Sparkes has suggested, that U.S. programs are not preferred simply because they are American, but because they meet the uses and gratifications of excitement,

TABLE III-28

TELEVISION AUDIENCES FOR A SAMPLE OF PRIME-TIME
CBC-CTV PROGRAMS (COMMON COVERAGE AREA) EARLY FALL 1975
DISTRIBUTION OF VIEWERS AND PROGRAM RATING

Program Class	Day	Time	Total Persons + 2 Years			Adults +18			Teens 12-17			Children 2-11		
			Rating	No. ('000)		Rating	No. ('000)	%	Rating	No. ('000)	%	Rating	No. ('000)	%
Police/Detective	Sun.	9:00	12	2,137		15	1,838	86	11	238	11	2	62	03
	Wed.	10:00	9	1,590		12	1,428	90	6	124	08	1	38	02
	Mon.	9:00	10	1,772		12	1,404	79	11	244	14	4	124	07
	Thur.	8:30	10	1,646		12	1,402	85	8	163	10	3	81	05
	Tues.	9:00	11	1,818		12	1,445	79	12	266	15	4	107	06
	Fri.	10:00	8	1,342		9	1,042	78	10	211	16	3	89	06
	Average		10			12.0			9.6			2.8		
Situation-Comedy	Mon.	9:00	20	3,420		23	2,757	80	21	449	13	7	214	06
	Tues.	8:00	18	3,075		15	1,827	59	31	660	21	20	588	19
	Fri.	8:00	13	2,207		13	1,615	73	13	286	13	10	306	14
	Mon.	7:00	12	2,113		12	1,473	70	14	302	14	11	338	16
	Fri.	7:00	11	1,878		11	1,300	69	13	272	14	10	306	16
	Mon.	8:00	14	2,369		14	1,725	73	16	341	14	10	304	13
	Mon.	9:30	13	2,230		15	1,782	80	16	340	15	4	108	05
	Average		14.4			14.7			17.7			10.3		
Action/Adventure	Sun.	8:00	11	1,967		12	1,476	75	12	256	13	8	235	12
	Mon.	8:00	14	2,371		12	1,501	63	19	406	17	16	464	19
	Sat.	7:00	11	1,912		10	1,234	64	12	263	14	14	415	22
	Sun.	7:00	11	1,903		10	1,219	64	12	252	13	15	433	23
	Average		11.7			11.0			13.8			13.2		

Program Class	Day	Time	Total Persons + 2 Years		Adults +18		Teens 12-17		Children 2-11	
			Rating	No. ('000)	Rating	No. ('000)	Rating	No. ('000)	Rating	No. ('000)
Variety/Musical	Mon.	10:30	5	893	7	848	1	31	-	14
	Thurs.	8:00	13	2,300	13	1,547	19	402	12	352
	Sun.	7:30	11	1,890	12	1,429	8	168	10	293
	Sun.	8:00	12	2,121	13	1,549	16	341	8	231
	Sat.	8:00	5	787	5	663	3	57	2	66
	Average		9.2		10.0		9.4		8.0	
Game/Quiz										
This is the Law Celebrity Dominoes	Tue.	8:30	9	1,468	9	1,077	9	193	7	198
	Fri.	7:30	5	921	5	653	5	108	5	159
Public Affairs/ Documentary										
Fifth Estate W-5 Marketplace	Tues.	9:00	6	976	7	868	3	55	2	53
	Sun.	10:00	5	919	7	857	2	43	1	19
	Sun.	10:00	8	1,446	11	1,362	3	68	1	16
Average			6.3		8.3		2.7		1.3	

escape and entertainment that Canadian viewers are seeking from television that Canadian programs presently fail to meet.

6. Summary

The objective of TV networks and stations is to maximize audience size and in attempting to achieve this they are highly competitive. Ratings for TV programs are an indicator of the degree of acceptance of a program by audiences and all networks closely watch these ratings. Relatively low-rated programs are generally dropped, even after only a few weeks into a new season and highly-rated, or successful programs, are imitated. The oligopolistic nature of the TV industry, and the oligopoly games that networks engage in, have resulted in little diversity in programming and a high degree of homogeneity and stability in program schedules. A small number of program types tend to dominate prime-time. Recently in the U.S. these have been situation-comedies, police/detective, action/adventure, and movies. Variety, drama, and sports programs are considerably less significant in terms of the proportion of prime-time that they occupy. Games of counter programming have resulted in a high degree of similarity in content in the schedules of the networks.

In U.S. network programming in prime-time, situation-comedy programs had the highest average ratings over the past three seasons, and they were also less expensive per half-hour segment than police/detective and action/adventure programs and movies. Producers have contended, however, that situation-comedies were more difficult to produce than most program types and that they had less value for syndication purposes and

subsequent sale in foreign markets. Police/detective and action/adventure programs, where violence is generally found, follow a highly formulaic pattern, making script writing easier. In addition, audience demographics show that programs of violence such as police/detective tend to be popular among the age group 18 years and over and it is this group which forms the greatest proportion of the TV viewing audience. This group, particularly those between the ages of 25-64 (61 per cent of the TV audience) also constitute the bulk of consumer spending and are therefore the group which advertisers seek to reach. Producers maintain that police/detective and action/adventure series are more certain in their audience appeal than comedies, varieties, and drama, even though statistics show that, between the seasons 1974-75 and 1975-76 and the seasons 1975-76 and 1976-77, comedies had a lower turnover rate in comparison to police/detective, action/adventure, variety, and drama programs.

U.S. television has had a great impact on Canadian TV. The two major Canadian TV networks, CBC and CTV, have tended to be more diversified in prime-time than their U.S. counterparts, but CTV in particular has tended to follow closely U.S. network programming patterns with a high concentration of police/detective and action/adventure programs in prime-time. This has been dictated by the fact that Canadian audience preferences are similar to those of Americans, that Canadian TV is in direct competition with American TV in border areas and is in competition with American programs in areas served by cable, and that Canadians generally prefer U.S.-made programs. Both CBC and CTV, but particularly CTV, rely on U.S. programs

for their programming in prime-time. They are able to purchase these programs at only a fraction of the cost of Canadian-made network or independent programs, and, in addition, U.S.-made programs usually generate more advertising revenue because of their higher ratings. These programs consequently subsidize the higher-cost, lower-rated Canadian-made programs.

ENDNOTES FOR CHAPTER III

¹A number of economic theories, models, and game theories have been utilized and adopted in an attempt to explain television programming patterns. Steiner, Wiles, McGowan, Levin, Owen, et cetera have developed models based primarily on Hotelling's theory of spatial competition, Cournot's model of duopoly, and various oligopoly theories. Most of these models show that television networks or stations, competing for audiences, engage in program imitation and duplication, resulting in "excessive sameness." The theory of games, a set of tools for analyzing situations of conflict between parties, has also been employed to explain behaviour where direct communication or collusion between rivals is difficult. For a summary of some of these models, see B. M. Owen et al., Television Economics (Toronto: Heath & Co., 1974), and W. G. Manning and B. M. Owen, "Television Rivalry and Network Power," Public Policy, Winter 1976.

²Broadcasting, August 1976.

³J. R. Dominick and M. C. Pearce, "Trends in Network Prime-Time Programming, 1953-74," Journal of Communications, Winter 1976.

⁴Ibid.

⁵Ibid.

⁶Ibid.

⁷Ibid.

⁸Variety, October 30, 1974.

⁹Ibid.

¹⁰Leonard Stern and George Eckstein, personal interviews, November 14, 1976.

¹¹Time, September 20, 1976, p. 84.

¹²Variety, July 14, 1976, p. 1.

¹³James Monaco, "U.S. TV: The Great Spin-Off," Sight and Sound, Winter 1975-76.

¹⁴The ratio of adopted to rejected pilots has increased over the last few years indicative of early involvement by the networks, however, contracts are written for only the first few episodes and frequent casualties now occur in the first-half of the program season.

¹⁵Based on discussions with writers and producers; notably Ron Austin, Leonard Stern and George Eckstein.

¹⁶The status of appeals to higher courts is at present unknown but the decision appears solid. It was observed that the FCC met with industry representatives on some 19 occasions.

¹⁷Symposium on Television Violence, Canadian Radio-television Commission, Aug. 1975, pp. 141-144.

¹⁸The survey consisted of a poll of 200 adult TV viewers in March 1976.

¹⁹The Windsor Star, June 14, 1976, p. 19.

²⁰NBC-TV, "Violence in America," January 5, 1977.

²¹TV Guide, January 1-7. However, it should be noted that most time is now purchased as spots across a spectrum of programs. Many advertising agencies buy sufficient spots across the various schedules to meet certain goals in terms of total viewer impressions based not on any discrimination of the content in which the spots are placed but simply based on an aggregate of gross rating points or some demographic subset of these. A further evidence that broadcasters sell realized audience not the programs which attract an audience.

²²Ibid.

²³Globe and Mail, January 5, 1977.

²⁴This is from a transcript of the Nov. 4, 1976 CRTC Public Hearing in Ottawa at which time CTV was seeking licence renewal for the CTV network.

²⁵V. Porter, "TV Strategies and European Film Production," Sight and Sound, Summer, 1974, p. 164.

²⁶This "head-on" programming strategy was remarked on by CTV at the Nov. 4, 1975 Public Hearing.

²⁷For a detailed analysis of the independent program production industry in Canada, see The Independent Production Industry with respect to English Language Programs for Broadcast in Canada, a study prepared by the authors for the Federal Department of Communications, April 1976.

²⁸CRTC, Annual Report, 1973-74.

²⁹The Independent Production Industry.

³⁰Globe and Mail, Jan. 5, 1977.

³¹Ibid.

³²The Independent Production Industry, pp. 40-41.

³³Department of Supply and Service, Film Study Report (Ottawa, 1976).

³⁴Secretary of State, A Leisure Study - Canada 1972 (Ottawa, 1973).

³⁵See, for example, Vernone M. Sparkes, "The Canadian Television Audience: A Study of Viewing Preferences and

Attitudes," Communications Research Center, Syracuse University, May 1975; The Special Senate Committee on Mass Media (1970); The Canada Consulting Group to the CRTC (1972); and a recent Canadian Institute of Public Opinion poll (1975).

³⁶Sparkes, op.cit.

CHAPTER IV

CABLE AND PAY TV

A. Broadcasting Receiving Undertakings (Cable)

1. Cable Basics

Basically, cable television is an antenna system linked to an individual subscriber's set by cable through a series of amplifiers, making it possible to bring in signals he could not otherwise obtain. Cable TV commenced in Canada in the early fifties and grew rapidly in an unregulated fashion. By the early sixties it was apparent that this new technology would have great impact on our broadcasting system. Since microwave relays, a broadcast technology, required licensing and large capital investment to bring signals across long distances, cable systems were originally withheld from cities located too far from the U.S. stations. However, most of the larger centres had American stations within range of the cable operators' sensitive antennae. Incorporated within the Broadcasting Act of 1968 was federal jurisdiction of broadcasting receiving undertakings with the CRTC assuming regulatory authority over cable since the economic exploitation of the technology depended on receiving broadcast signals.¹ While attempting to slow the proliferating tide of U.S. stations into Canadian homes, the CRTC had to bend to the demands of the public and politicians for wider program services. In 1971 the CRTC allowed microwave relay of foreign stations so that with the exception of Saskatchewan all major cities (not Windsor) are cabled.

Per capita, Canada is by far the most cabled country in the world. Current statistics indicate that of the 6.7 million households in Canada, 5 million homes are located in areas franchised for cable. Already there are 4.75 million homes passed by cable to which 3 million households or 63 per cent subscribe. In all, 44 per cent of Canadian homes subscribe to cable.² (See Table IV-1)

By comparison, the U.S. is approaching 11 million homes subscribing to cable or roughly 16 per cent of all households.

2. Technology

Cable, or more accurately, coaxial cable, is a wire surrounded by air or polyethylene foam wrapped in a circular shield of metal and covered with an insulating material. It differs from an ordinary telephone wire in its capability to carry much more simultaneous information over a longer distance (broadband). Whereas a telephone wire might conduct television programs for only a few feet, a standard coaxial cable is generally capable of delivering about 42 channels of television 2,000 feet before reamplification is required to a total distance of about 80,000 feet; that is, about 40 amplifiers at most from where the signals are introduced into the system (head end) to the furthest home still capable of receiving acceptable pictures. Of the approximately 42 channels which may be delivered to the home, the TV receiver VHF tuner can select only programs from channels 2 to 13 for a total of 12 choices (the basic service).³ With the use of a "converter" additional channels can be tuned into the home set for a combined total of 20 or 24 channels (augmented service).

TABLE IV-1
CABLE TELEVISION SUBSCRIBERS IN CANADA 1972 TO 1977

Province	Percentage of homes					Estimated ^b January 1 1977
	September ^a 1972	September ^a 1973	September ^a 1974	September ^a 1975	January ^b 1976	
Newfoundland	-	-	-	-	-	-
Prince Edward Island	-	-	-	-	-	-
Nova Scotia	6.7	13.1	19.9	23.5	26	32
New Brunswick	11.6	11.4	13.4	22.6	26	32
Quebec	22.8	25.6	31.3	36.6	35	40
Ontario	38.8	45.3	51.0	51.7	52	55
Manitoba	20.7	25.6	32.8	35.9	38	43
Saskatchewan	3.4	3.4	5.3	3.9	4	5
Alberta	15.9	27.7	36.9	41.2	43	44
British Columbia	58.0	61.5	64.5	63.6	67	68
Canada	29.8	34.7	40.4	41.9	42	44

^aBBM, Radio and Television Data, 1972, 1973, 1974, and 1975.
-Less than 2%.

^bTV Bureau, June 1976

Thirty-six channel converters are starting to appear. At present the UHF tuner cannot be used and therefore UHF stations must be translated to a "V" channel or one of the converted channels (A, B, C, D, E, etc.). Also strong local stations must be moved to another channel and the vacated channel is considered "impaired" and may not be used to carry priority stations as determined by the CRTC.⁴

Coaxial cable technology is by no means limited to television signals, but can be used for thousands of simultaneous telephone calls, high speed data transmission, linking computers, and connecting terminals. In its present application, cable is essentially a one-way system analogous to a water works with a water tower (head end), mains (trunks), service connections (drops), and faucets (TV sets). It offers no point-to-point service or switched capability. The ultimate of a two-way switched service permitting interactive communications at the TV or computer level from any specific home to any other specific home is still a long time away. With current technology, it implies a multiplicity of cables and vastly more sophisticated switching devices than those presently used in telephone exchanges. This future capability, usually referred to as the "wired world," is far beyond the scope of this study, but some of the elements in its evolution are already apparent and will be discussed. Concurrently many other technological developments may modify or redirect this process toward the "wired world" such as direct broadcast from satellites. In sum they all present the capability to extend the delivery of an ever-greater variety of program choice and content into the home. Doubtless, industry's perception of consumer desires and

willingness to pay will determine which of the technologies will be advanced.

3. Economics of Cable

Figures vary on the actual capital cost of cabling an urban area, but a reasonable estimate would be \$90.00 per home passed, assuming about 90 homes per mile, or slightly over \$8,000 per mile. Some operators claim \$10,000, others less. To this must be added the cost of the head end which receives and translates the signals, any microwave charges to bring in distant stations, studios and production equipment, administrative and technical space and equipment.

Invested capital per home passed in 1974 was \$83.00.⁵ At current costs the figure now probably exceeds \$100.00 per home passed or \$150.00 per subscriber.⁶ Obviously as the saturation ratio (homes subscribing to homes passed) increases, profitability increases markedly. Curiously, the larger cable systems do not demonstrate economies of scale as well as the mid-sized systems.⁷ This may be due to relatively equivalent unit costs per subscriber and somewhat lower saturation figures for the larger systems which tend to be located in areas where over-the-air signals from the U.S. penetrate the market.

Revenues are received, firstly, as an installation charge for connecting the home to the cable. This charge currently is in the order of \$15.00 but established systems are seeking to raise the figure to \$25.00. Secondly, the monthly fee charged for the basic service is usually \$5.50 (\$2.00-\$3.00 additional for augmented service) and again rate increases are being sought. In the case of augmented service, the necessary

TABLE IV-2
FINANCIAL SUMMARY OF PRIVATE CABLE BROADCASTING INDUSTRY

(\$ Millions)

	<u>1974</u>	<u>1975</u>
Total Operating Revenues	133	161
Expenses		
Program	5	6
Technical	27	35
Sales	7	8
Administration	27	37
Depreciation	29	33
Interest	11	14
Other expenses (Income)	-	(2)
Total Expenses	106	131
Income Before Income Taxes	27	30
Provision for Income Tax	13	15
Net Income	14	15
Gross Fixed Assets Employed	320	358
Total No. of Employees	3,764	4,155

Source: CRTC Annual Report 1975-76.

converter may be rented (\$2.50 per month), purchased from the cable operator, or purchased on the open market, costing anywhere from \$50.00 to \$125.00. At present, the sale of advertising by the cable operator is forbidden. In the U.S. this is allowed but only in content originated by the cable operator.

The most recent financial statistics available for cable are indicated in Table IV-2.

Recent estimates place total cable earnings as approaching \$200 million per year. From the table it may be noted that the cable industry is profitable, rather capital intensive, and spends 3 to 4 per cent of revenue on programs. Since this expenditure is on locally-produced programs of a community nature not involving dramatic treatments or news reporting, violent themes in cable-originated production are not significant.

In Canada, cable is essentially a form of subscription pay television. The subscriber is purchasing, for a monthly fee, the opportunity to watch programs from distant (U.S.) stations not otherwise easily obtainable. Improved local reception may also be a factor since, to a degree, the option of watching U.S. stations over-the-air in our southern major markets still remains. Essentially, the purchase decision is based on gaining wider program choice.

4. Impact of Cable on Canadian Broadcasting

a) Economic Impact

Studies have suggested that the economic position of conventional broadcasters, in light of increasing cable pene-

tration, is extremely complex. The variables which need to be considered are: the broadcast station's network affiliation; the number and types of television stations available off-the-air within the station's coverage area; the number and types of channels that are available via cable; and the percentage penetration of the cable system(s) in the station's coverage area.⁸ While adding to the complexity of the situation involved, Babe⁹ nonetheless foresees "a substantial, permanent decline in television advertising in Canada" when U.S. television obtains something like a 30-40 per cent share of Canadian viewing time. Similar but less bold and specific conclusions are reached by Woods, Gordon & Co.¹⁰ in their study of the impact of cable in five representative markets. They found that cable did reduce the audience share of established local stations, but that the financial impact of this loss had been largely offset by the growth of population in the markets and the general acceptance by advertisers of substantially increased advertising rates.

Although our major broadcasting stations are enjoying large annual gains and even the Global Television Network is realizing operating profits, the smaller stations are in considerable difficulty even to the point of failure (Pembroke) as advertisers consolidate their TV budgets in "must buy" markets.

Since it is the first requirement of the CRTC to protect the national system and its economic viability, a number of economic strategies have been employed. They deal with attempting to recapture for our broadcasters dollars spent by Canadian advertisers on the U.S. stations which reach Canadian audiences.

i) Bill C-58: An Act to Amend the Income Tax Act—has been implemented which now means that businesses may no longer deduct as a business expense monies spent on foreign-owned broadcasting outlets.

ii) Commercial deletion—a policy of removing some of the commercials on U.S. stations carried by cable and replacing them with public service announcements. This would deprive the advertiser of certainty that his message would be seen. Recently this policy has been moth-balled until the results of Bill C-58 can be evaluated with the assumption that this will take until August 1977 at least.¹¹

Since both these policies are very offensive to U.S. commercial interests, commercial deletion, at least temporarily, has been traded off for Bill C-58.

Another policy requires cable operators to substitute the "Canadian edition" of any U.S.-produced program transmitted by a U.S. station simultaneously with its airing on a Canadian station. Until recently, Canadian TV broadcasters took advantage of pre-release over their American counterparts. Now in many instances these programs are simultaneously broadcast obliging the cable system to carry the Canadian advertising over both channels. This policy will certainly reduce the cost-per-thousand to the Canadian advertiser, possibly reduce the "spill-over" effect whereby a U.S. parent company may have reduced its subsidiary company's advertising budget in Canada on the strength of having already partially reached this market, and certainly this policy will cut in half the opportunities available for viewing particular programs. Another approach, never implemented, involves requiring the cable systems to

rebate money to Canadian broadcasters for use of their signals. This money would be directed to assisting the smaller stations and enhancing Canadian production. Inherent in all the above policies is the desire to bring economic support to the creation of more attractive, more varied, and more appropriate Canadian programs.

b) Impact of Cable on the Audience

Although the overall economic impact of cable on over-the-air broadcasters is not clear, it certainly has not been beneficial, and it hasn't made it easier to provide money for improved Canadian programs. However, one thing is very clear. While the viewing of Canadian stations has suffered, it is the viewing of Canadian programs which has dropped most alarmingly. As noted in Chapter III, Canadians generally watch only one hour in three of Canadian programs (Toronto - one hour in four).¹² Paradoxically, although the public considers that U.S. programs are decidedly more violent,¹³ they also perceive these programs as more professional, more relaxing and more entertaining.¹⁴ Our figures show that loyalty to Canadian programs diminishes rapidly with the decreasing age of the viewer.¹⁵ Much of this can be attributed to the proliferation through cable of otherwise unobtainable U.S. stations. (The licensing of additional Canadian stations no doubt has also increased the opportunities to view American content.) Primarily Canadians are watching U.S. entertainment programs tempered by some Canadian national news and sports and local news and public affairs. This imbalance is greatest in cable homes and most marked in young people. The evidence suggests that the trend will continue and that the viewing habits formed by the young

will persist. Attitudes and tastes are, and will increasingly continue to be shaped by massive exposure to U.S. TV content. Regardless of whatever sanctions or standards with respect to violence might be imposed on Canadian programs or even U.S. programs broadcast in this country, these restrictions will have slight influence on the preponderance of content which will actually be viewed, that is, if the present structure of cable remains the same.¹⁶

5. Recent Developments

Until recently Federal policy has been to treat cable as a component of a single federally-regulated broadcasting system. It treats the cable operator as a broadcaster with the role of developing a unique community service not provided by conventional broadcasters by inviting active participation of the viewer in his local programming.¹⁷ But since cable is very much a local undertaking, doesn't cross provincial boundaries, and is in reality a broadband telecommunications delivery system, the provinces have disputed federal control and exclusive jurisdiction. The cable technology may be simultaneously used for many other services which offer attractive economic possibilities such as remote sensing of utility meters; remote alarms for fire, theft, or ambulance; in-home shopping and learning, etc. and even ultimately the futuristic applications associated with the "wired world." In this light, cable appears to be more of a telecommunications common carrier capable of leasing channel space to a variety of users. Without the introduction of received broadcast signals into the system, the technology is clearly outside the scope of the Broadcasting Act and

becomes a closed circuit device not regulable by federal jurisdiction. However, the economics of cable until now have been dependent on the sale and distribution of distant broadcast signals to areas of urban density housing.

It is now becoming more apparent that closed circuit systems offering newer or different contents could be viable, e.g. Network One in Toronto¹⁸ and the policy of the Saskatchewan government.¹⁹ The implications of this could be the proliferation of virtually uncontrolled content coupled with the further destruction of the national service. Also the transition of cable into a telecommunications common carrier, e.g. Manitoba,²⁰ while leaving program content within Federal jurisdiction, no doubt will redirect the profits derived from ancillary and many future services away from our broadcasting system to the telecommunications companies.

These changes in the Canadian approach to cable have been precipitated by the advent of Pay TV. At present, Pay TV alone won't support separate closed circuit cabling except in areas of highest density (high rises, condominiums), but the addition of other services and possibly advertising could extend these systems. In the near future optical fibre technology promises to sharply reduce the costs of broadband communications.²¹

B. Pay TV

Pay TV was originally conceived as the over-the-air broadcasting of programs scrambled or made unviewable through some technical process. With the payment of a fee the home viewer could watch the unscrambled program of his choice. Tantalizing ideas of symphonies, ballets, experimental and foreign film, a whole universe of programs directed to minority tastes was the promise of the new medium. Freed from the pressure of mass audience appeal which enslaved the commercial offerings to their cost-per-thousand ratings, new high-quality programs, heretofore unobtainable, could be purchased for viewing in the comfort of the home. Seemingly, the new economics of consumer-supported rather than advertiser-supported programs would make this revolution possible. Extremes of taste—artistic, sporting, dramatic, even sick—could be accommodated in this system which allows the individual to make deliberate personal choices rather than selection from a common base of programs in general broadcast.

1. A Short History of Pay TV

Earliest actual experiments began in 1950 in the U.S. but subsided while the courts debated whether this actually constituted "broadcasting" within the meaning of the Communications Act. After this issue was resolved in 1962, the FCC (Federal Communications Commission) authorized the Hartford, Connecticut Pay TV experiment. Via over-the-air transmission, a program selection consisting mainly of feature films plus a few sporting events was shown. In Canada, Etobicoke was the site of another experiment, but this time cable was the means of distribution

and the subscribers placed coins in a box to view the programs. Both experiments were variously labelled as failures; however, a number of factors were not taken into consideration. In the Hartford case, a great deal of experimenting was done with the program content and the method of metering subscriber usage was rather awkward. In Etobicoke, the pay system called for the installation of cable for Pay TV alone, rather than Pay TV being an additional source of revenue to a cable which was already paying its way by providing a basic service of distant signals.

During the next few years in the U.S., court actions to prohibit Pay TV were brought against the FCC by the motion picture theatre owners who felt the medium threatened their livelihood and also by the conventional broadcasters who not unrealistically feared that their more choice programs would be lured away to the new medium. A shift from advertiser-supported television to consumer-supported television was in the making, and although fewer viewers might be reached, the economics were such that vastly more monies could be spent for the content. Although the U.S. theatre owners eventually lost their case, the conventional broadcasters fought doggedly for the banning or restricting of Pay TV to prevent the programs now aired for "free" being "siphoned" off leaving the consumer (with his large investment in a TV set) to watch the leftovers.²² California citizens, at the broadcasters' behest, even passed by referendum—later reversed—prohibiting Pay TV in their state.

Beginning in the seventies the FCC hoped to resolve the arguments by issuing a set of anti-siphoning regulations

designed to protect the existing programs on advertiser-supported television (and the consumer's investment in his set) while "permitting new uses of the broadcast waves". In essence, these regulations required that a pay-TV operator could use only feature films younger than three years; or older than ten; or foreign films; or films for which the broadcaster had no interest. By and large, sports events shown on pay-TV could not include those currently being broadcast or special sports events such as the Olympics if they had been broadcast within the last ten years. In total, feature film and sports events were not to occupy more than 90 per cent of the program schedule.²³ (N.B. Late correction: see endnote 30.)

In spite of the huge revenue potential and the resolution of legal problems, over-the-air pay-TV, until recently, has been rather slow to develop for a number of reasons. Feasibility studies indicated that the public was not particularly interested—probably due to a general ignorance about the nature and potential of pay-TV. Really efficient and secure (uncheatable) systems for broadcasting scrambled signals, unscrambling them, and metering the consumer's viewing of each program, have only now become available. Finally, pay-TV licences were restricted primarily to those broadcasters in large cities who were presumed to be in financial difficulties. They therefore lacked the adequate financial resources to start up and exploit the new medium.²⁴

Now that the technical problems have been solved and the consumer has demonstrated interest, several large companies, e.g. The Wometco Corporation, are moving in and the full impact of over-the-air pay-TV will shortly appear on the American

scene.²⁵

2. The Current U.S. Pay TV System

A variant of Pay TV which makes use of the established U.S. cable systems has surged ahead. In essence the cable subscriber gains unlimited viewing of a special channel of selected programs for a monthly fee (average \$8.00) additional to the basic fee (average \$7.00). This system is referred to as "pay-per-channel" and curiously in our Canadian discussions this approach has become synonymous with Pay TV, and by inference, synonymous with cable.

In this context it should be noted that the development of cable systems in the United States has differed markedly from Canada. The U.S. major cities with the exception of Manhattan are not cabled. As in Canada, the extension of cable and the willingness of the consumer to subscribe, has depended on the importation of distant signals. For Canadians this has meant U.S. stations. For the U.S. consumer this has meant stations not otherwise available in the community. Of the large U.S. cities, at this time, it is only in Manhattan that there is sufficient consumer demand for cable as a means of overcoming reception problems due to industrial interference and "ghosting" to warrant the expense of a cable system. (However, newer and cheaper technologies involving multi-channel omni-directional microwave—known as MDS—transmitting the TV signals to an individual building for internal distribution by cable, or even homes, is advancing rapidly.) (See MDS - Chapter V)

The apparent plan in the United States, therefore, is for Pay TV to be distributed over the air in most major cities

and by cable in the smaller centers. In Canada it is the major centers that are cabled while the smaller communities (and rural areas) are not.

This pay cable system developed because, although most U.S. cable operators were making money, in general they were working with smaller systems and with lower ratios of homes subscribing, to homes passed by cable, than their Canadian counterparts. Therefore the attraction of providing other services to produce revenue, since the use of additional channels (cable can carry up to 42 channels) meant slight or negligible further cost, was very enticing.

Rapidly, a number of program suppliers came into being who would either supply a "menu" of programs for a single channel or negotiate on behalf of the cable operator with the Hollywood producers for the rights to program a channel of pay television. Already a number of cable operators had had to offer a channel of feature films in addition to the distant stations in order to gain basic subscribers. Now with better product available they were able to charge an additional fee for a pay channel. In general, this amounted to \$8.00 a month of which the cable operator kept approximately half and the program producers and suppliers took the rest. \$4.00 a month would not pay for a cable system but as an additional revenue over and above the \$7.00 subscription received for the basic service, it represented a highly profitable extra. This rather primitive Pay TV then depended on an existing cable system programming one or possibly two channels for which the viewer paid \$8.00 per channel a month to view primarily six to eight new feature films per month, each repeated many times

that month and the following month, plus assorted other content. Non-subscribers were prevented from viewing the pay channel by a trap (filter) placed at the connection to their home, or the signal was scrambled and pay subscribers were provided with a descrambler. On this basis less than a year ago there were a quarter million subscribers. The number now is probably close to one million, or about 1.5 per cent of the TV homes in the U.S. or 9 per cent of the 11 million cable homes (see Table IV-3).

TABLE IV-3

<u>Date</u>	<u>Pay-Cable Systems</u>	<u>Pay-Cable Subscribers</u>	<u>Date</u>	<u>Pay-Cable Systems</u>	<u>Pay-Cable Subscribers</u>
4/ 1/73	10	18,400	3/31/75	62	188,835
7/15/73	20	35,400	6/30/75	75	264,575
2/ 1/74	38	48,300	9/30/75	104	351,250
5/15/74	45	66,900	12/31/75	170	469,030
9/ 1/74	50	100,120	3/31/76	190	633,250
12/31/74	55	140,000	6/30/76	253	766,100

Source: Paul Kagan Newsletter, Nov. 30, 1976

The table below illustrates the difference between commercial TV and pay TV as consumer phenomena:

TABLE IV-4

<u>Year</u>	<u>Commercial Sets In Use</u>	<u>Year</u>	<u>Pay TV Customers</u>
1947	16,000	April 1973	16,000
1948	190,000	April 1974	50,000
1949	1,000,000	April 1975	190,000
1950	4,000,000	April 1976	744,050
1953	21,200,000	April 1979	2,500,000 (est.)

Source: Paul Kagan Newsletter, Nov. 30, 1976

Several recent phenomena have been noted and some have raised alarm. Penetration rates for pay-per-channel pay cable had been projected to reach 35-40 per cent or more of cable subscribers. However, in the last six months the number of disconnects (people quitting the service) and the "churn" ratio (ratio of people leaving to new subscribers) have been very high. These are indications that penetration of pay cable may stabilize at only 20-25 per cent of cable subscribers. This question of disconnects was one of major concern at the recent (November 1976) convention of the Western Cable Television Association at Anaheim, California. Most of the blame was placed on lack of an abundance of really suitable feature films. It was strongly noted that the consumer most commonly rejects the service because of particular movies that don't appeal and the frequency of repeats. What this implies is that the consumer feels he buys a complete service for a month and that everything should be equally attractive and continually different. He lacks a sense of "perceived value" in enjoying two or three of the eight new movies per month. He also equates the pay channel with conventional television with the expectation of continuous gratification while demanding content not generally available on advertiser-supported TV. In effect, pay-per-channel pay cable is very subject to the same pressures toward lowest common denominator programming. It is far more important not to displease the subscriber than to please him.²⁶

In making any assumptions about current U.S. Pay TV, it should be kept in mind that present Pay TV subscription is limited to cable subscribers who, by definition, are heavy consumers of conventional TV programming, so much so, that they are willing

to pay \$7.00 per month for a few additional distant stations. Basically this system fails to reach those who are uninterested in conventional TV but might be desirous of very different fare. These facts should indicate a strong caveat to our own Pay TV planning or our reliance on the experience of current U.S. models.

3. Programming on Pay Cable in the U.S.

Unless Canada deliberately adopts a distinctly different system our programming will closely parallel the U.S. pattern. We will to some extent be governed by the basic content, release patterns, and marketing strategies associated with Hollywood feature films.

The actual content of the pay channel varies from location to location depending on whether the cable operator makes his own arrangements for the programs, whether the operator subscribes to a service, whether the operator belongs to a chain of cable systems which has worked out its own package of programs, or whether a program supplier has leased a channel from the cable operator and supplies the programs for that channel. The largest supplier of programs is Home Box Office of New York, a Time-Life Inc. subsidiary and pioneer in the use of satellite transmission to distribute 12 hours of programs each day to about 40 locations. At the time of this writing, Home Box Office is estimated to have half a million subscribers or half of the cable homes which subscribe to a pay service in the U.S. The subscriber receives not only fairly recent feature films such as "Farewell My Lovely," "Rollerball," "Swept Away," etc., but specially produced programs like "The Bette Midler Show," "Les Folies Bergere," and uncensored comedians in

performance "on location." Home Box Office has also carried via satellite from Europe the non-televised tennis matches at Wimbledon and many league games of the NBA and the National Soccer League which were not otherwise televised. They have also experimented with the use of rather avant-garde film as indicated by their purchase of content from the Independent Cinema Artists and Producers Association.

The other major program supplier is Telemation Program Services (an HBO subsidiary) which distributes its feature films and other programs via video-cassette. This company acts rather more like a film booker than an actual program supplier since it usually negotiates with the film producer for the rights for use in a particular market and the cable operator himself signs the contract with the film producer. In this way a much more flexible "menu" may be offered by the local cable operator by taking into account particular community tastes. In all cases the program suppliers have avoided any X-rated films, probably because it is a sensitive and untested issue and the pay-per-channel approach doesn't lend itself to control of content by the parent in the home. There is some evidence that those cable systems using Telemation Program Services achieve higher penetrations of pay television subscribers than does Home Box Office,²⁷ which is attributed to the TPS capability of tailoring the program mix to a specific community.

Essentially, pay cable is a movie channel—sports and specially produced programs are not really significant to date. Table IV-5 shows the number of movies in pay distribution, their source and ratings.

TABLE IV-5

	1976		
	October	November	December
Films in pay TV circulation	249	254	261
Rated G	31	30	34
Rated PG	107	108	115
Rated R	73	77	74
Not Rated	30	31	28
Rated X	8	8	10
Distributor			
20th Century Fox	31	31	32
United Artists	28	30	30
Warner Bros.	29	30	27
Columbia	21	21	23
Paramount	21	21	19
Amer. Intl.	N/A	N/A	16
Universal	16	16	16

Source: Compilation of Paul Kagan Newsletters

This table shows that the distribution of ratings is skewed more toward G and PG than is overall Hollywood product destined for theatrical release. None of the X-rated pictures are shown on pay-per-channel pay cable but appear only on pay-per-program systems, primarily hotel pay TV.

In the face of disconnects and a shortage of "good" films many new economic strategies are being tried. One approach is to offer less for less, e.g. four new movies a month for \$4.00. Another is to offer two different channels—one for family viewing restricted to 4-5 G and PG films a month—the other channel basically R material. Each channel would cost \$5-6.00 with a discount for subscribing to both. Considerable pressure

will be placed on the F.C.C. to mitigate the 3-10 rule and make considerably more film available to pay TV.²⁸ Since U.S. cable systems are required to lease channels to others if so requested, newer Pay TV operators are demanding access and soon single cable systems will be offering competing Pay TV channels. Optical Systems Ltd. (a Pay TV program distributor with a satellite delivery system—Western Union's Westar) is invading this competitive field. In all of this, immense sums of money are being invested in the future of Pay TV and earth receiving stations are proliferating throughout the U.S. HBO, although yet to make a profit, is assuming the proportions of a "fourth" network with production facilities, large investments in developing new programs, and an instantaneous nationwide program delivery system.

Costs of feature film to the cable operator vary depending to some degree on the quality of the film, the number of subscribers on the system, and the number of exposures given. Present pricing is in the range of $1\frac{1}{2}$ to 7 cents per subscriber per showing. In general the producer receives about 35¢ per subscriber for use of his film. He would much prefer a direct percentage of the interest generated by his film similar to the theatre box office but that is only possible in a pay-per-program mode.

The allocation of charges in pay-per-channel vary from system to system but may be generalized into a model using Paul Kagan which shows the following:

Basic Subscription	\$8.00
Cable operator's service charge	<u>-2.00</u>
Remainder	\$6.00
Exhibitor (cable operator) (45%)	-2.70
Program Supplier (film producer) (40%)	-2.40
Distributor (15%)	<u>- .90</u>
Remainder	\$0.00

From the above it can be seen that although the program supplier receives 40 per cent, in reality it is only 30 per cent of the gross subscription. The distributor receives 11 per cent of the gross and the exhibitor, that is the cable operator, approaches 60 per cent when the service charge is included. This is currently a very contentious area. In effect, a cable operator by owning "the theatre" has the dominant position. (The inference can also be drawn that in the light of cable operators being willing to lease a channel for 80¢ a month when cast in the role of a common carrier, they still made money and therefore this is not an unrealistic figure for rent of a channel.)

The internal squabbles over the division of money, in the case of Home Box Office in particular, and the above system in general has caused several altercations. From time to time this has led to the withholding of product from the market. At the moment there seems to be a sort of armed truce but this has stiffened the obduracy of the film producers to move for pay-per-program Pay TV.

As noted before, the rate of consumption of suitable Hollywood product has, from time to time, created a very tight situation. When there is a sufficient base of pay subscribers in the U.S., it is obvious that the Hollywood majors will make a concerted effort to transpose the system into pay-per-program.

In all the various systems of pay-per-channel, it should be noted that they are using essentially the same Hollywood feature film product because until recently they were not directly competing with one another in the same market. The most distinctly different service is Home Box Office which sees economic reason to generate its own content and provide a wide diversity of program types thereby rigorously avoiding the classification of being "the movie channel." From this, one senses economic experimentation to discover consumer interests and provide some alternatives to Hollywood dominance.

The Hollywood majors look upon Pay TV as an additional source of revenue which will not diminish the theatrical box office or sales to conventional broadcasting. In total gross this source is at present very small compared to the other two. Their willingness to go along with current pricing levels and release their films to Pay TV indicates that they wish pay cable to succeed and flourish and that the medium represents a new and unexploited market. To this end the major Hollywood studios are rapidly developing specialized departments for Pay TV, e.g. Hollywood Home Theatre (20th Century Fox and United Artists).

4. Pay-per-program Pay TV

Pay-per-program Pay TV was the original concept of Pay TV and the one tested in Hartford and Etobicoke in the early 60's. Ideally this approach should lead to a wide diversity of program content heretofore unavailable, much less common denominator programming, and much greater interaction between the consumer and the program producer. Yet exploitation of this marketing approach hasn't happened so far except in a few

isolated instances. The first big problem has been inadequate technology.

a) Technology of Pay-per-program

All pay television depends on some system of providing the subscriber with a service but denying it to those who don't pay. Pay-per-program additionally requires some system of metering the individual consumption of programs. A number of technologies are in current use, and more are becoming operational now and in the near future.

The first problem of security which applies also to pay-per-channel is dealt with in a number of ways. Firstly, a trap may be placed outside the home or at the set of every basic cable subscriber and removed to allow the passage of the pay channel into the pay subscriber home. This is a cheap device, probably in the order of \$3.00 or \$4.00 plus installation (which generally includes the cost of selling the service in the first place), and costs the subscriber in the order of \$15.00 to \$25.00. Problems with this device are that it must be installed in all non-subscriber's home and then selectively removed. In effect, the technology is provided to those who don't pay. In the home or apartment building, it may easily be removed by amateurs thereby defeating its security purpose. Outside the home, a number of stories have arisen about their susceptibility to being beaten by a stick or shot at by a BB gun, that roving gangs will, for a modest fee, provide people with the pay service at no additional cost. The trouble here is not that the amount of theft is that great, but that the honest subscriber becomes disenchanted, feeling himself in a climate of those who are cheating and getting away with it, and in

frustration, cancels. It is not known how serious the problem is, but there has been considerable talk that traps are an obsolete approach and it appears that cable operators in the U.S. are already moving to better devices.

The second major technology involves scrambling and de-scrambling the signal. The pay channel is introduced into the cable system in some distorted form and with the application of a device at the set the consumer is able to recover a viewable picture. This level of technology probably costs in the order of \$25.00. Although some exceedingly cheap filter restorers have been developed, the disadvantages are that in some systems the picture may be damaged, that the consumer is unaware of whether their set is malfunctioning or the picture is scrambled, that the device may be limited to a single channel, and that the devices may well proliferate through radio appliance stores or some such means and it would therefore be impossible to prevent their ready acquisition.

In the U.S. the installation of converters in order to pick up the mid-band channels has been used as a method of providing the security. This has already been tried in Canada and has failed. In any case, most of our major cities, if not already using converters, are at the threshold of requiring them.

Encoding and decoding of the picture information and control of sound is found in the system used by Western Codavision (Pay Television Corporation of New York) and is nearing production at Electrohome in Kitchener. This is a highly secure system which depends upon a code in the signal, a code on a card, and the code of the individual box to restore the

picture. It is an expensive technology (\$125.00) compared to traps, but has the advantages of allowing pay-per-program multi-channel conversion service, in-home security (i.e. removal of the card), and the rendering of the picture unviewable in a rational fashion.

And finally there is the "smart" tap which involves a distribution point at the drop connection feeding approximately four homes individually and contains the technology to shut off the entire service or introduce scrambling signals into the pay channels at the call of a central computer in any of these homes. The cost for a four-home unit is in the order of \$130.00 not counting the computer and programming. It is highly secure and can provide for a pay-per-program capability as long as the programming is pre-ordered by the subscriber and entered into the computer, i.e. a subscriber calls by telephone some period in advance of the program wanted. This can, however, cut down on impulse buying since in large systems, the telephone couldn't handle a large volume of calls just prior to a much sought-after event.

A number of systems have been developed for over-the-air pay television which provide varying degrees of security and varying capabilities of pay-per-program. Six systems have FCC approval but they reduce to essentially four systems. Blonder-Tongue, a scrambler-descrambler on a per month basis (newer models have some per program capability); Oak Industries a scrambler-descrambler on a monthly basis; the Teleglobe system currently being installed in Los Angeles which encodes and decodes but primarily offers a monthly channel with six optional tickets to allow additional charging for up to six special

events (this technology costs in the order of \$100.00 per home); and the Pay Television Corporation's Canadian development which encodes and decodes with full pay-per-program capacity for more than one channel and costs approximately \$125.00, depending on whether such features as conversion (applicable only to cable) and remote tuning are supplied. It is reported to contain a high grade UHF tuner and in most over-the-air applications converts the UHF station to a "V" channel.

In addition to the pay-per-view technologies noted above, the Columbus, Ohio pay-per-view cable system which lacks proper security (it relies upon a converter) has developed a very effective metering device. They have succeeded in developing an upstream capability within the cable system without reliance upon a phone line for end of the day addressing and metering. In essence, their system is based on subdividing their array of homes into sections and subsections and being able to measure each home individually in groups of 100 to 200 thus overcoming the noise problem if all subscribers were generating return signals on the entire array at once.

There are many advantages to this "upstream" system. Notably the consumer simply turns the key on in order to access the pay channels (in this case four) and by simply tuning to a channel, the fact is noted in the central computer. If the channel is tuned to a particular pay channel for a sufficient length of time, then a charge is made. This allows the subscriber to preview and sample a program without activating a charge. The system is also highly amenable to other services such as emergency alarm or public utility metering and represents the beginning of a two-way cable system. There seems to be a

lot of conflict in the area of cost. The operators of this system indicate that the basic unit in the home costs approximately \$40.00 which includes conversion and return radio signalling. The costs of conversion to two-way are very modest but are dependent upon the nature of an existing one-way cable system. According to the Columbus operator, in addition to the code-operated switches, costs of upgrading to two-way capacity or changing amplifiers should not exceed approximately \$500.00 per mile and could be considerably less. One other advantage of this system is continuous monitoring of signal strengths and qualities at the terminations of all branches of the system. Faults are generally discovered long before the consumer is aware of them and most subscriber complaints can be analyzed immediately from the central office to determine whether the system or the consumer's set is at fault.

A newer and untried system is one in which a device on the consumer's set stores digital information concerning the viewing amounts and times on the pay channels. This information is accessed by telephone line in the early morning hours similar to meter reading and the print-out of each consumer's daily usage is then available. This system depends on a sophisticated clock (expensive) which must not be subjected to power failures.

At present there appears to be three currently operational fully pay-per-program technologies.

- i) The addressable tap for small cable systems and hotel applications.

- ii) The Pay TV Corporation's card punching system

for over-the-air and possibly cable applications.

iii) The Telecinema of Columbus two-way cable return feed metering.

b) Programming on Pay-per-program

Over-the-air STV will likely be limited to one channel in an area. Such a scarcity of prime-time and limited hours will generally cause economic pressures to achieve mass appeal. It will lend itself to big event programs, a trend already apparent in conventional network programming. Revenue projections for STV are based on only very small saturation (e.g. 5 per cent) of all households. However, since these systems are limited to the top U.S. cities with great numbers of households and don't require the huge capital costs of cable, this level of saturation is viable. It does indicate that no overwhelming demand is anticipated and that fragmentation of audiences will be slight. If pay-per-channel techniques are employed, content will be similar to the existing cable model. If pay-per-program billing is used, it is probable that more diverse content will be offered with a tendency toward extremes, i.e. greater differences from conventional TV fare (spectaculars, heavy-weight fights, soft porn, drive-in type movies for the curious who prefer viewing in the privacy of their home).

On cable there are only three pay-per-program systems—Network One in Toronto, Telecinema of Columbus (Ohio) and Allentown, Pa.

Telecinema of Columbus offers four channels of pay programs simultaneously which permits a huge choice on their "Menu." They have experimented widely and consider a program profitable if only 2 to 3 per cent of their pay subscribers

purchase the program. Their actual costs of exhibiting a program are very low since they are only obligated to the program supplier for a percentage of the gross revenues attributable to the program. Revenue from a minority appeal program can be considered revenue that they might not have otherwise received. The crucial economics depend on the average utilization per subscriber and Telecinema of Columbus has been consistently drawing larger gross earnings per subscriber than the pay-per-channel \$8.00 with a 25 per cent penetration rate of pay subscribers to their cable subscribers. The print-out for a day is shown as Table IV-6 and indicates the programming results of that day (November 6, 1976) which constitute about half the programs available in the month. Atypically, no sports program was shown, but until the current Pay TV restrictions, this was a minor source of revenue and consumer interest.

In studying the Telecinema results over a long period, certain observations can be made.

i) The more cultural events, e.g. American Film Theatre, have fared poorly although "The Iceman Cometh" did well.

ii) Sports programming does badly. Best is NBA. The CFL does very badly. NHL is weak.

iii) Diversity of content does produce more revenue per subscriber but this is mostly attributable to soft porn (the F channel) which is not found on pay-per-channel.

iv) Contrary to the operator's opinion that soft porn would quickly lose its appeal, it has consistently held up and brings in 30 to 40 per cent of the program revenue. There is very definitely a great consumer demand for this

TELECIPIEMA DAILY REVENUE REPORTS

MARKET: COLUMBUS
DATE: 11/06/76

BILLING THRESHOLDS: MAX. MISSING= 25. MAX. BAD DATA= 10. MAX. NO DEV.= 25. % DURATION= 20. MIN. ABS. TIME= 15.
MAX. VIEWING STARTS= 4. MAX. BILLINGS/SUB.= 3. TIME ALLOWED/SCAN= 7

1. NUMBER OF SUBSCRIBERS:

4970 100.0% OF 1
811 16.3% OF 1
518 10.4% OF 1
1650 100.0% OF 4
671 40.7% OF 4

2. NUMBER OF ACTIVE SUBSCRIBERS:

100.0% OF 2
63.9% OF 2

3. NUMBER OF ACTIVE SUBSCRIBERS BILLED

100.0% OF 4

4. NUMBER OF BILLING OPPORTUNITIES:

100.0% OF 4

5. NUMBER OF BILLING OPS BILLED:

40.7% OF 4

CHAN	SHOW	MOVIE TITLE	PRICE	BILLINGS	REVENUE	COST	INCOME
ID	TIME			N /SUB	\$ /SUB	\$ RYLT	\$ /SUB
C	1000	599 LITTLE PEOPLES	0.75	1 0.0002	0.75 0.0002	0.26 35.0%	0.49 0.0001
C	1100	600 LITTLE PEOPLES	0.75	1 0.0004	1.50 0.0003	0.52 35.0%	0.98 0.0002
C	1200	599 LITTLE PEOPLES	0.75	1 0.0002	0.75 0.0002	0.26 35.0%	0.49 0.0001
C	1300	600 LITTLE PEOPLES	0.75	5 0.0010	3.75 0.0008	1.31 35.0%	2.44 0.0005
C	1400	599 LITTLE PEOPLES	0.75	2 0.0004	1.50 0.0003	0.52 35.0%	0.98 0.0002
C	1500	602 WANDINGO	3.00	1 0.0002	3.00 0.0006	1.20 40.0%	1.80 0.0004
C	1730	598 LENNY MOVES	3.25	3 0.0006	9.75 0.0020	3.90 40.0%	5.85 0.0012
C	1930	608 NIGHT MOVES	2.75	6 0.0012	16.50 0.0033	4.13 25.0%	12.37 0.0025
C	2130	597 KLANSMAN THE	2.75	16 0.0032	44.00 0.0039	11.00 25.0%	33.00 0.0066
C	2330	602 WANDINGO	3.00	25 0.0050	75.00 0.0151	30.00 40.0%	45.00 0.0091
C	2600	580 PLAZING SADDLE	3.00	9 0.0018	27.00 0.0054	6.75 25.0%	20.25 0.0041
C	2600	597 KLANSMAN THE	2.75	5 0.0010	13.75 0.0028	3.44 25.0%	10.31 0.0021
TOTALS FOR CHANNEL C				76 0.0153	197.25 0.0397	63.30 32.1%	133.95 0.0270
D	1000	590 FREEBIE AND TH	3.00	3 0.0006	9.00 0.0019	2.25 25.0%	6.75 0.0014
D	1200	596 KILLER FORCE	3.25	3 0.0006	9.75 0.0020	2.44 25.0%	7.31 0.0015
D	1400	601 LONGEST YARD	3.00	8 0.0016	24.00 0.0048	6.00 25.0%	18.00 0.0036
D	1600	604 NASHVILLE	3.00	4 0.0008	12.00 0.0024	6.00 50.0%	6.00 0.0012
D	1900	596 KILLER FORCE	3.25	14 0.0028	45.50 0.0092	11.38 25.0%	34.12 0.0099
D	2100	590 FREEBIE AND TH	3.00	33 0.0036	99.00 0.0199	24.75 25.0%	74.25 0.0143
D	2300	610 OPEN SEASON	2.75	25 0.0050	68.75 0.0130	17.19 25.0%	51.56 0.0104
D	2500	601 LONGEST YARD	3.00	15 0.0030	45.00 0.0091	11.25 25.0%	33.75 0.0068
D	2700	596 KILLER FORCE	3.25	13 0.0026	42.25 0.0085	10.56 25.0%	31.69 0.0064
TOTALS FOR CHANNEL D				118 0.0237	355.25 0.0715	91.81 25.6%	263.44 0.0530
E	1100	585 DIAMONDS	2.75	3 0.0006	8.25 0.0017	2.06 25.0%	6.19 0.0012
E	1300	587 DONT CRY WITH	2.50	5 0.0010	12.50 0.0025	4.38 35.0%	8.13 0.0016
E	1500	609 OLD DRACULA	2.75	13 0.0026	35.75 0.0072	8.94 25.0%	26.81 0.0054
E	1630	592 FURRY LADY	3.25	4 0.0008	13.00 0.0026	5.20 40.0%	7.80 0.0015
E	1900	617 WINTERHAWK	3.00	29 0.0058	87.00 0.0175	21.75 25.0%	65.25 0.0131
E	2100	598 EXORCIST	3.50	62 0.0125	217.00 0.0437	97.65 45.0%	119.35 0.0240
E	2300	579 BLACK CHRISTMA	2.75	55 0.0111	151.5 0.0304	37.81 25.0%	113.69 0.0226
E	2500	609 OLD DRACULA	2.75	17 0.0034	46.75 0.0094	11.69 25.0%	35.06 0.0071
E	2630	598 EXORCIST	3.50	14 0.0028	49.00 0.0099	22.05 45.0%	26.95 0.0053
E	2830	617 WINTERHAWK	3.00	9 0.0018	27.00 0.0054	6.75 25.0%	20.25 0.0041
TOTALS FOR CHANNEL E				308 0.0671	1000.00 0.2000	240.00 24.0%	760.00 0.1600

F	1000	614	TEENAGE HITCHH	2.75	7	0.0014	19.25	0.0039	3.85	20.0%	13.40	0.0031
F	1300	612	SOMETIME SWEET	3.25	13	0.0026	42.25	0.0285	0.45	20.0%	33.20	0.0028
F	1300	605	NAUGHTY COEDS	3.00	17	0.0034	51.00	0.0103	10.20	20.0%	40.80	0.0022
F	1300	613	STARLET	2.75	16	0.0032	44.00	0.0069	7.92	18.0%	36.08	0.0073
F	1600	614	TEENAGE HITCHH	2.75	11	0.0022	30.25	0.0061	6.05	20.0%	24.20	0.0045
F	1700	612	SOMETIME SWEET	3.25	9	0.0018	29.25	0.0059	5.65	20.0%	23.40	0.0047
F	1900	589	FIVE KITTENS	2.75	20	0.0040	55.00	0.0111	11.00	20.0%	44.00	0.0089
F	2050	605	NAUGHTY COEDS	3.00	24	0.0048	72.00	0.0145	14.40	20.0%	57.60	0.0115
F	2200	612	SOMETIME SWEET	3.25	28	0.0056	91.00	0.0183	18.20	20.0%	72.80	0.0145
F	2300	586	DIRTY LOVERS	3.00	34	0.0068	102.00	0.0205	18.36	18.0%	83.64	0.0163
F	2500	611	RAMRODDER	3.00	39	0.0078	117.00	0.0235	21.06	18.0%	95.94	0.0193
F	2630	612	SOMETIME SWEET	3.25	32	0.0064	104.00	0.0209	20.80	20.0%	83.20	0.0167
F	2800	613	STARLET	2.75	16	0.0032	44.00	0.0069	7.92	18.0%	36.08	0.0073
TOTALS FOR CHANNEL F					266	0.0535	801.00	0.1612	154.06	19.2%	646.94	0.1302
GRAND TOTALS					671	0.1350	2001.00	0.4026	527.45	26.4%	1473.55	0.2965

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TELECINEVA DAILY REVENUE REPORTS

MARKET: COLUMBUS

DATE: 11/06/76

 BILLING THRESHOLDS: MAX. MISSING= 25. MAX. BAD DATA= 10. MAX. NO DEV.= 25. % DURATION= 20. MIN. AES. TIME= 15.
 MAX. VIEWING STARTS= 4. MAX. BILLINGS/SUB.= 3. TIME ALLOWED/SCAN= 7

1. NUMBER OF SUBSCRIBERS: 4970 100.0% OF 1
 2. NUMBER OF ACTIVE SUBSCRIBERS: 811 16.3% OF 1
 3. NUMBER OF ACTIVE SUBSCRIBERS BILLED 518 10.4% OF 1
 4. NUMBER OF BILLING OPPORTUNITIES: 1650 100.0% OF 4
 5. NUMBER OF BILLING OPS BILLED: 671 40.7% OF 4

MOVIE ID	MOVIE TITLE	PDCR	RTNG	DUR	BILLINGS N	REVENUE \$	INCOME /SUB			
6	579 BLACK CHRISTMAS	WB	11	103	55	0.0111	151.25	0.0304	113.44	0.0228
7	580 BLAZING SADDLES	WB	11	95	9	0.0018	27.00	0.0054	20.25	0.0041
12	585 DIAMONDS	MAT	01	110	3	0.0006	8.25	0.0017	6.19	0.0012
13	586 DIRTY LOVERS	JER	02	80	34	0.0068	102.00	0.0205	83.34	0.0168
14	587 DIRT CRY WITH MOUTH FULL	NEW	17	115	5	0.0010	12.50	0.0025	9.13	0.0016
15	588 EXORCIST	WB	01	120	76	0.0153	266.00	0.0535	146.50	0.0294
16	589 FIVE KITTENS	EVR	02	82	20	0.0040	55.00	0.0111	44.00	0.0039
17	590 FREBBIE AND THE BEAN	WB	11	120	36	0.0072	109.00	0.0217	81.00	0.0163
19	592 FUNNY LADY	COL	11	138	4	0.0003	13.00	0.0026	7.80	0.0016
23	596 KILLER FORCE	AIP	01	105	30	0.0060	97.50	0.0196	73.12	0.0147
24	597 KLANSMAN THE	PAR	11	111	21	0.0042	57.75	0.0116	43.31	0.0037
25	598 LENNY	UA	11	104	3	0.0006	9.75	0.0020	5.85	0.0012
26	599 LITTLE PEOPLES PACKAGE #1	HBO	04	57	4	0.0008	3.00	0.0006	1.95	0.0004
27	600 LITTLE PEOPLES PACKAGE #2	HBO	04	56	7	0.0014	5.25	0.0011	3.41	0.0007
29	601 LONGEST YARD	PAR	11	120	23	0.0046	69.00	0.0139	51.75	0.0104
30	602 MANDINGO	PAR	11	130	26	0.0052	78.00	0.0157	46.20	0.0094
32	604 NASHVILLE	PAR	11	157	4	0.0008	12.00	0.0024	6.00	0.0012
33	605 NAUGHTY COEDS	HEM	02	88	41	0.0082	123.00	0.0247	98.80	0.0193
36	608 NIGHT MOVES	WB	11	102	6	0.0012	16.50	0.0033	12.37	0.0025
37	609 OLD DRACULA	AIP	01	89	30	0.0060	82.50	0.0166	61.67	0.0124
38	610 OPEN SEASON	COL	11	105	25	0.0050	68.75	0.0138	51.56	0.0104
39	611 RAMRODDER	JER	02	87	39	0.0078	117.00	0.0235	98.94	0.0193
40	612 SOMETIME SWEET SUSAN	EVR	02	73	82	0.0165	266.50	0.0536	213.20	0.0429
41	613 STARLET	JER	02	90	32	0.0064	88.00	0.0177	72.16	0.0145
42	614 TEENAGE HITCHHIKERS	EVR	12	76	18	0.0036	49.50	0.0100	39.80	0.0080
45	617 WINTERHAWK	AIP	01	98	38	0.0076	114.00	0.0229	35.50	0.0172
TOTALS							\$2001.00	0.4026	\$1473.55	0.2965

END

content. Although Telecinema has yet to run an X-rated film, it does use foreign films that could be classed X. However, they carefully screen all Channel F film and edit out anything that smacks of sadism, violence, or "perversion." While strong on nudity, the films are rather light-hearted and harmless. The operators have yet to have a complaint and they attribute this to their caution, plus the fact that the consumer must physically turn on the key to his home converter and actually pay to see the specific program. (Customers who say they want the pay service but not the F channel are offered a trap to remove it at no charge. They invariably decline to put the operator to the trouble.)

v) Telecinema has yet to find the answer to appealing to the more affluent home which is not a heavy TV user but could be a high-paying customer for some specialized content, e.g. tennis skills, International Chess Matches.

vi) Although the capability exists for selling more diversified content, the subscriber seems unimpressed and generally buys the expected.

vii) There is some evidence that less than blockbuster films may do relatively better than the "biggies" in this environment than in theatrical distribution. While it takes a "Jaws" to get large numbers of people out of their homes, there are many films people would like to see, but not with the inconvenience of going to a theatre.

viii) The revenue is rather widely spread throughout the offerings and not all associated with a few programs.

ix) The customer seems to budget his monthly purchases and maintains about the same level of expenditure

each month.

x) The distribution of utilization by subscribers is highly skewed, i.e. a minority of subscribers purchase a great deal and a majority much less—similar to TV viewing habits.

xi) Disconnects are a problem. The assumption that pay-per-program would not experience disconnects, since the customer only purchased what he wanted and wouldn't feel he was buying something he didn't want, is not substantiated.

xii) The average consumer buys 2-3 events per month.

Much more detailed information than is presented here has been supplied, but Telecinema of Columbus is experiencing severe security problems. They are dependent on a converter technology and this has proven unsafe. Although the computerized return feed metering system seems excellent, because of their security problems they are unsure of the accuracy of their more specific findings and wish to keep them unpublished.

What emerges from all this is that pay-per-program is probably not the answer to all programming ills. It does provide more choice but at present, by being limited to cable subscribers and in the absence of truly different programs being available to the new medium, it appears not to be very substantially different from pay-per-channel cable. It must be stated that there are so many variables in the marketing, promotion, pricing, scheduling and servicing of Pay TV that are untested, that it is premature to draw many solid conclusions.

The other two systems mentioned (Network One and Allentown) were not studied in such detail. Network One has a very efficient and inexpensive technology dependent on using a cable

exclusively for a single pay cable. The system is not regulated because it is closed circuit and with present costs of cabling, it is limited to areas of very high density (i.e. condominiums, since rental high-rises have a much less stable occupancy). Saturation has reached 85 per cent of 1,400 units. Programming consists of usually two or three features shown each day and repeated from a montly spectrum of six to seven features. The late show on many evenings is X-rated, e.g. Emmanuelle. Consumption averages about 2.5 films a month. With a cheaper cable technology, such an unregulated system could easily service single family dwellings.

The small cable system in Allentown, Pennsylvania, does use X-rated film. The pay-per-channel system in Ann Arbor, Michigan, has also shown Emmanuelle, but this was an exception to the rule. The assumption again is that soft porn sells and sells very well. Discussions with hotel cable operators also confirm this assumption.

5. Pay TV in Canada

Much has been publicized about the "inevitable" introduction of pay-TV into Canada. Submissions were requested by October 1, 1976 by the CRTC and it appears public hearings will be held in the late spring. The objectives for pay-TV have been summarized by the Honourable Jeanne Sauvé, Minister of Communications, speaking on June 2, 1976 to the Canadian Cable Television Association (CCTA) as follows:

First: It must provide a range of programming which does not duplicate that now offered by broadcasters and must do so without siphoning programs from the broadcasting system. The continued federal regulation of the broadcasting system, including the regulation of pay television, is a crucial factor in the coherent and orderly provision of program services to the entire Canadian viewing public.

Second: It must ensure the production of high-quality Canadian programs that Canadians will watch.

Third: It must ensure that programs are produced in Canada for international sale.

One hundred and twenty-one submissions have been received. Many are simply letters and suggestions. The following Tables IV-7 and IV-8 attempt to analyse all the major briefs and indicate where the proposers stand on certain issues.

What became apparent this past summer was that the creative, artistic and production elements in this country were adamant in demonstrating their large stake in the Pay TV enterprise. They claimed that they would rather do without any Pay TV than have a structure which was primarily dependent on U.S. content and which centered control in the delivery system, regardless of how much money might be apportioned to subsidize Canadian production.

In analysing the major submissions it is pointless to count, as it were, votes. Clearly the cable operators and the broadcasters suggest a structure very similar to the U.S. pay-per-channel pay cable approach with the addition of allotting 15 to 20 per cent of gross revenue to Canadian production as the price of admission to a licence. While it might produce significant money for Canadian programs, there is no inherent positive dynamic approach to develop them, promote them, or even use them at all. This approach really suggests the proliferation of more and possibly less desirable U.S. content in Canada, yet still leaves the industry at the mercy of the subscriber attitudes noted above which reject anything unusual or unconventional.

Other proposals suggest greater producer or even government control. Demands for all-Canadian content seem economically non-viable—a sad comment on the development of our production and program resources. Many submissions favour the

TABLE IV-7

SUMMARY OF SELECTED PAY-TV PROPOSALS

<u>Organization</u>	<u>Ownership/Control/Implementation</u>	<u>Billing</u>
Association of Canadian Television and Radio Artists	Pay TV decision should be delayed for further study, public hearings should be held.	pay-per-program
American Federation of Musicians		
Canadian Actors' Equity Association		
Canadian Labour Congress		
Canadian Association of Broadcasters	Pay TV network privately owned, controlled by broadcasters with public and cable participation. Introduction of pay-TV should be postponed.	Pay-per-channel with pay-per-program objective.
Canadian Broadcasting Corporation	Request CRTC public hearings. Suggests a pay-TV network with directors from public and private sectors or CBC-2, a minority interest programming cable channel.	Vague - inference supports pay-per-channel and CBC-2, "sounds like universal pay-TV".
Canadian Broadcasting League	CBL does not want pay-TV. If inevitable, they want a "test-bed" for study of impact. Control by independent public agency owning all pay-TV hardware, commissioning, purchasing all programming, running the network, distributing signal nationally. Profits to go to additional programs and Media Development Fund.	Universal subscription of cable users.

<u>Organization</u>	<u>Ownership/Control/Implementation</u>	<u>Billing</u>
Canadian Cable Television Association	Fully endorses PTN proposal, wishes implementation without delay of privately funded national organization commissioning, acquiring, distributing English and French Pay TV programs. 50% ownership held by cable companies.	Pay-per-channel
Canadian Conference of the Arts	Does not advocate immediate implementation. Recommends Pay TV be under firm regulatory control, asks for public hearings, debate.	No model proposed
Canadian Film and Television Association	Careful but definite implementation of pay TV. Suggest federally-chartered licensed monopoly, profit oriented with broad share-holder base as ownership system. Hardware and software operations must be separate.	Pay-per-program
Canadian Film Development Corporation	CFDC believes it is the most suitable government agency to administer pay TV and the levy fund. Advocates delay of decision until public hearings held.	Not stated (CCFM claims similarity to PTN model)
Channel 79, Ltd. (Moses Znaimer)	Advocates a 2-tiered system: 1. exhibitors who would distribute pay TV (Exhibitcos). 2. Profit motivated public or private regional networks (Programcos) Exhibitcos to get 45% of revenue, networks 55%.	Not stated
Consumers' Association of Canada	CAC believes implementation at this time to be premature but recognizes long-run inevitability. Prefers establishment by a non-governmental body with public interest concerns. Concerned with	Estimate 30% penetration of cable subscribers at additional \$8.00/month.

Billing

Universal mandatory cable system, increased cable rates \$3.00/month/subscriber. After five years shift to pay-per program.

Pay-per-program, each to cost \$3.00

Model 1. Pay-per-channel universal delivery.
Model 2. Pay-per-channel.

Single pay-per-channel eventually moving to pay-per-program multi-channel in distant future.

50¢/per month/per subscriber for Quebec cable subscribers, i.e. universal mandatory delivery evolving to pay-per-program.

Ownership/Control/Implementation

Federal/Provincial jurisdiction over communications, regulation of cable.

Want Federal Crown Corporation, "Canadian Pay Television Network" to administer purchase, invest in programming, should have two language concerns, regional offices.

Want a public hearing to discuss Pay TV feasibility re hardware.

Propose two models: "target television."
Model 1. Postulates a back-up model which it will test for 2-3 years.

Wants no delay in implementation. Monopoly cable network to handle program purchasing, marketing, distribution. Will invite non-cable interests to board of directors. (One-third to one-half).

Recommend delay in implementation for improved hardware. Private corporation agency 51% owned, controlled by cable interests which would produce, co-produce, purchase, distribute programming; "adequate partners" credible to government and production used in administration.

Organization

Council of Canadian Filmmakers

Directors Guild of Canada

Global Television

Can West Broadcasting

Western Approaches

PTN - Pay Television Network Proposal

Quebec Cable and Film Production Companies

Organization

Western Coded Television
Ltd.

Ownership/Control/Implementation

Suggests Crown Corporation not profit
motivated to acquire, distribute and
administer, wants two language networks,
does not wish a delay.

Billing

Pay-per-program
each box \$125.00

TABLE IV-8

SUMMARY OF SELECTED PAY-TV PROPOSALS

<u>Organization</u>	<u>Delivery System</u>	<u>Programming</u>	<u>% of Revenue to Canadian Production</u>
Association of Canadian Television and Radio Artists American Federation of Musicians Canadian Actors' Equity Association Canadian Labour Congress	Common carrier without responsibility for programming.	Should be non-profit public agency to acquire, commission, and schedule programming paid for by funds collected by common carrier.	
Canadian Association of Broadcasters	Cable in metro areas, off-air UHF in others, satellite transmission as alternative.	Pay TV network should acquire, produce, commission programs not already shown on commercial TV. Must meet Canadian content requirements (50%) eventually leading to 100%. No mention of in-house production. No paid advertising.	Major portion of profits. 214
Canadian Broadcasting Corporation	Cable (assumes 25-30% penetration).	While admitting need for minority interest programs, CBC denies viability of such programming in subscriber-supported TV. Seems to assume inevitability of U.S. model, i.e. sports, feature films.	75% of profit to all broadcasters for Can. production, 25% of profit to CFDC. 28.5% of gross revenue to Canadian producer.
Canadian Broadcasting League	National signal distribution via satellite with local cable delivery mandatory,	Must offer significantly different programs than commercial TV to avoid siphoning, should be national	21% of gross revenue in first year, rising later, Media Development

<u>Organization</u>	<u>Delivery System</u>	<u>Programming</u>	<u>% of Revenue to Canadian Production</u>
	over-the-air Pay TV where no cable exists. Cable channels to be leased with no control over them by cable companies. Concerned that commitment to technology now may be premature due to obsolescence.	in character, serve French English. Want Canadian content quota established by CRTC 30% first year to 75% fifth year.	fund revenues derived from tax on cable incomes \$1.00 per subscriber per channel plus pay TV network profits. 60% to commercial TV; 20% to CFDC; 10% to commercial cable channel; 10% to grants for film, TV production.
Canadian Cable Television Association	Existing cable plant facilities.	CCTA rejects Canadian content quota, test-bed experiment of different technologies, cable, broadcasters' consortium. New corporation should provide high quality programs distinct from commercial TV. Pay TV must be based on American model.	
Canadian Conference of the Arts	No model proposed	Questions definition of Canadian production. Pay TV begun with American model would not facilitate rehabilitation to Canadian viewing.	"Whole point of Pay TV (after profits) is to recover funds for production."
Canadian Film and Television Association	Cable common carriers, different in future.	Argues for 100% Canadian programming catering to cultural interests.	An important concern, no figures.

<u>Organization</u>	<u>Delivery System</u>	<u>Programming</u>	<u>% of Revenue to Canadian Production</u>
Canadian Film Development Corporation	Not stated (CCFM claims similarity to PTN model).	Advocates quota for Canadian content based on a "flexible" definition. Program production to be conducted by private sector. CFDC assumes American pay TV model of programming.	Levy of pay-TV gross revenue not less than 15% to Canadian producers.
Channel 79, Ltd. (Les Znaïmer)	Cable or off-air.	Suggests regional networks might reduce Toronto-centred programming. Expressed concern with structure rather than programming.	From each dollar of gross revenue, networks get 55¢. 45¢ of that goes to content. Canadian producers get a full 45¢ for their programs; 25¢ goes to U.S. productions, and 20¢ to Canadian Film Re-Investment Fund.
Consumers' Association of Canada	Common carrier should distribute signal for 15% of revenue.	Recognizes necessity of high quality Canadian programs, rejects American model of mass interest programs. Model provides for bulk of funds to be channelled into Canadian production.	Suggests 85% of revenue should go to create Canadian-based software industry.
Council of Canadian filmmakers	Satellite with microwave connection and possibly MDS and bicycled tape for remote areas. Cable and off-air to allow universal access.	Canadian content not less than 60%, should attempt 80%. French, English programs should be offered with dubbing and frequent repeats catering to mass and minority programs.	Over 50% of gross revenue spent on Canadian production.
Directors Guild of Canada	Private-owned cable hardware, national distribution by cassette.	Advocate HEP-TV (Happiness-for-Everyone TV), propose a yearly schedule of 144 features, each repeated eight times. A preview channel and audience voting may	Cable owner to get 50% of revenue, producer of show 50%.

<u>Organization</u>	<u>Delivery System</u>	<u>Programming</u>	<u>% of Revenue to Canadian Production</u>
Global Television Can West Broadcasting Western Approaches	Model 1. Mandatory cable delivery, no need for security. Model 2. Global will transmit scrambled signals to the head ends of cable companies in the Ottawa-Windsor corridor. Non-cable subscribers can use antenna, decoder.	cater to mass appeal; CBC suggested as minority interest programmer. Model 1. Advocates 100% Canadian content minority interest programming, reject American model. Specialized programs to be produced. Model 2. Mass appeal programming.	Model 1. \$1.00/month increase for cable to go directly to programming, i.e. 85% to Canadian programming. Model 2. Not stated.
PTN - Pay Television Network Proposal	Cable for local distribution; bicycled videotape for national distribution.	Will depend on U.S. feature films. Proposal offers 5% Canadian content rising to 18% in 1982. Promises Franco-phone arm.	15% to Canadian production. 25% to foreign production.
Quebec Cable and Film Production Companies	Local delivery via microwave, bicycled cassette, nationally by satellite, initially by existing cable.	Production done for cable secondarily for Pay TV. Agency will concentrate on new types of programs complementing PTN with regional interest programming.	Recognize need for using Pay-TV revenue for Canadian production.
Western Coded Television Ltd.	Off-air "box" to permit access to non-cable subscribers (CCFM says too high a commitment to technology).	Canadian content quota should start low, reach 50%.	45% to production, full 45% to Canadian producers on dollars earned, 20% of money earned by foreign product to go to Canadian production fund.

pay-per-program concept as fairer to both the consumer and the producer and more likely to diversify content.

The Council of Canadian Filmmakers' proposal suggests a universal channel, i.e. cable subscription rates would be raised \$3.00 and four movies a month would be supplied—two Canadian and two U.S. This would obviate any expense for security or metering, but the extent of disconnects imposed on the cable operators is difficult to estimate. This approach might be only moderately disruptive to Canadian broadcasting, least likely to massively increase U.S. content in Canada and most productive of money to Canadian programs. Whether the public, the press, or the politicians would tolerate it is most questionable.

6. Summary

Cable has changed the broadcast viewing habits of the Canadian populace. Increasingly U.S. programs are being watched, particularly by our younger people, at the expense of our own shows. If not at present, then ultimately, this will have an impact on advertising revenues accruing to Canadian stations and Canadian programs. Since U.S. television, particularly many of the most watched shows, are high in violence, it follows that cable, while weakening our own broadcasting system, raises the level of violent content in the home. The solutions seem to lie in the larger issue of restructuring our overall broadcasting system. Sanctions and moral suasion might influence our Canadian broadcasters to cut back on violence, but it would place them at an even further competitive disadvantage and hardly affect half the homes in Canada.

Pay TV is still too immature to have developed its own unique content. It is still too small and dependent on existing sources in film and television. For the present it must seek content not immediately available on television, i.e. newer movies or inexpensive events. These are strong indications of economic pressure to provide the kind of films unsuitable for broadcast—sex and/or possibly violence—, to maintain difference from freely-available conventional television.

Noll, Peck, and McGowan, in their 1973 study Economic Aspects of Television Regulation, with reference to the Hartford experiment, observe:

Having low regard for conventional fare, television reformers would find little solace in a proliferation of the programming that sparks their criticisms. But all subscription television (STV) experiments and the past experience of cable systems indicate that the greatest unsatisfied demand is, in fact, for more of the same. 29

ENDNOTES

¹Canada, Broadcast Act, Statutes of Canada, 1970.

²These figures are based on interpolations of CRTC statistics shown in their annual report for 1975-76 and statistics found in TV Basics 76-77 issued by the TvB. Although licenses have been issued for franchise areas in Saskatchewan, figures for these areas have not been included since a number of problems have not been resolved with the Saskatchewan government and Sask Tel.

³These figures are based on the conventional cables designed for CATV systems to carry 0-300 MHz signals. At 6MHz a TV channel therefore $300/6 = 50$ TV channels is possible but for various reasons 42 channels are the maximum allocated. Cable can be designed to carry higher frequencies than 300 MHz, however, cost rises and distance of transmission shortens. Since the UHF TV stations operate in the 470-890 MHz band, these signals must be translated to either the "V" channels (54-88 MHz and 174-216 MHz) or on the converter channels (non-broadcast channels) which are available in the remainder of the 0-300 MHz range, i.e. the mid-band channels 120-174 MHz for 9 channels (A, B, . . . I) and super-band channels 216-300 MHz for 14 channels (J, K, . . . W), and finally the sub-low band designated as 5.75 - 47.75 MHz for 7 more channels (T7, T8, . . . T13). The purpose of the converter is to tune in these mid-band and super-band channels on the TV set since it is not equipped to select these channels, just the VHF and UHF channels.

⁴CRTC, "Regulations Respecting Broadcasting Receiving Undertakings," issued Nov. 26, 1975, effective Apr. 1, 1976.

⁵Inferred from CRTC statistics in their 1975-76 Annual Report.

⁶Urban densities between cities and areas in cities vary considerably, e.g. Ottawa vs. Calgary. The projection of about \$150.000 per subscriber is based on two-thirds saturation and current costs of cabling. Older systems had much less capital investment and now have higher saturation rates.

⁷Robert E. Babe, Cable Television and Telecommunications in Canada: An Economic Analysis (East Lansing, Michigan: Bureau of Business and Economic Research, 1975).

⁸Ibid.

⁹Ibid.

¹⁰Woods, Gordon & Co., "The Impact of Cable Television on the Canadian Broadcasting System." Report to the Canadian Cable Television Association, May, 1975.

¹¹CRTC, Public Announcement, Commercial Deletion, Ottawa, Jan. 21, 1977.

¹²A more definitive account of the alarming drop in viewing of Canadian programs is to be found in Hugh H. Edmunds et al., The Independent Production Industry with respect to English Language Programs for Broadcast in Canada, Vol. II, Appendix G, Canadian Viewing Habits. Center for Canadian Communications Studies, University of Windsor, May, 1976.

¹³Ibid., citing Canadian Institute of Public Opinion.

¹⁴Ibid., citing Canadian Institute of Public Opinion.

¹⁵CBC, What the Canadian Public Thinks of Television and of the TV Services Provided by the CBC. Research Department, Canadian Broadcasting Corporation, Feb. 1974, p. 113.

¹⁶There have been no studies to determine or forecast how much further the destruction of viewing Canadian programs will continue. Windsor might be indicative of how far the process will go. What is already apparent, however, is that our younger audience turns almost uniformly for entertainment to basic U.S. programming. If the violent content is damaging then this is what our young people are consuming to the exclusion of Canadian fare. It therefore matters little what standards or controls pertain to indigenous programs (and possibly render them even less competitive).

¹⁷CRTC, Policies Respecting Broadcasting Receiving Undertakings, Ottawa, Dec. 1975.

¹⁸Network One, or more formally All View Network One Inc., began operations in May 1976 and has 85 per cent penetration of 1,419 units in the Toronto Crescent Town condominium complex. It offers a single channel pay-per-program service. To reach economic viability it is estimated to need 5,000 subscribers. It operates as a licensed "movie theatre" by the Theatres Branch of the Ontario Government but does not come under any CRTC regulations due to its closed circuit nature. Soft pornography or even X-rated ("Emmanuelle") ~~are~~ included in the "menu."

¹⁹The Saskatchewan government has indicated its intention of wiring the ten largest cities by Sask Tel and operating a closed circuit system—purchasing syndicated U.S. programs which in Canada would include current network programs. In this case the system could sell commercials into these programs. They have also made connections with Telemation Program Services (a large U.S. Pay TV supplier) for Pay TV product. With the political will to initially invest the public's money in this venture, it would appear to be economically sound but could cause havoc with the conventional broadcasters. Many of the Saskatchewan ideas would appear likely to far better achieve CRTC objectives, e.g. community service, than the CRTC has been capable of with its cable licensees. DOC has attempted to

offer cable ownership to Sask Tel in exchange for Federal control of content but since all but one of Saskatchewan cities are not cabled the province has the choice of options.

²⁰The federal Department of Communications made an agreement November 10, 1976 with Manitoba giving Manitoba Telephone Systems control of the cable hardware in return for agreement that Canada would have jurisdiction over broadcast-type programming including pay-TV. This common carrier approach is filled with unresolved problems of which the CRTC and the cable operators are only too well aware.

²¹See Chapter V for an account of optic fibres. In essence they offer in the future to sharply reduce the cost of wired broadband communications.

²²FCC, Subscription Television, Information Bulletin #16, (Washington, Feb. 1976).

²³See FCC, Rules and Regulations 73.643, "General Operating Requirements."

²⁴Hugh Edmunds, "Pay TV Study with Emphasis on the Implications of STV", Interim Report to Department of the Secretary of State, Ottawa, May 1976.

²⁵Ibid. It should be noted that over-the-air pay-TV could spill over into Canada. It might also be difficult to control "Boxes" which use a card billing system. The threat of this is some time away since the FCC regulations permit STV licences in the largest cities and until this is changed spill-over will only affect Windsor. Buffalo has an insufficient number of existing television stations to either add or convert a UHF station to STV.

²⁶Hugh Edmunds, "Report on Pay TV with Pay-per-channel Theoretical Model", Department of the Secretary of State, Ottawa, August 1976. This document contains many quotations from pay-TV entrepreneurs warning strongly of viewer antagonism to unappreciated content and the necessity to program to a low common denominator of taste.

²⁷Ibid.

²⁸The marketing of feature film is based on definite patterns of release. First movie theatres, then pay-TV, then network television, followed by syndication to television stations, and somewhat concurrently to the latter 16 mm release to colleges, film societies, et cetera. Sometimes films are re-released to theatres following pay-TV. The 3-10 rule implies that a film in the seven year period commencing at three years from its first release may not be used on pay-TV. Actually the release to pay-TV seems to take place in a "window" roughly six months to eighteen months from original release.

²⁹R. Noll, M.J. Peck, and J.J. McGowan, Economic Aspects of Television Regulation. (Washington, Brookings Institute, 1973) p. 270.

³⁰On March 25, 1977 the U.S. Court of Appeals, as the result of a unanimous three-judge decision, ruled that siphoning has to occur before it can be proved to exist. Accordingly, the judges said the FCC Regulations concerning the siphoning of movies and sports programs are invalid. The 105-page judgment is felt by experts to be broad enough to thwart a Supreme Court review. A result of this decision will be to make such films as American Graffiti, Butch Cassidy, Young Frankenstein, The Exorcist and The Sting available to pay-TV before they will have aged ten years. Experts also believe sports programs may receive legislative attention by Congress. This ruling can be seen as a removal of "prior restraint" consistent with First Amendment freedoms and similar in many respects to the Ferguson decision on the "Family Hour".

CHAPTER V

THE STATE OF THE ART - NEWER TECHNOLOGIES

A. Introduction

This chapter is devoted to discussions of the uses of the newer technologies applicable to the visual mass media with some thoughts on their possible consequences to society in terms of the dissemination of violent content. In the past, the exploitation of mass media technologies has been through traditional industrial methods. Therefore, we can expect that the greatest determinants of the ultimate application of these newer technologies will be those economic forces of profit-making. Until now, in many instances, the public has funded much of the original theoretical and initial prototype work. Unfortunately so often it has been our practise, in the absence of a strong political will and because of the huge sums of money required, to leave most of the final developmental risk and exploitation to the marketplace, e.g. Telsat, optic fibre, and in a sense, broadcasting. The regulatory processes come after the fact.

Many futurists and social philosophers, e.g. Weiner, Bagdikian, Fuller, Illich, McLuhan, Toffler, Kahn, etc, have attempted to predict the consequences of the electronic revolution in terms of processes abstracted and somewhat removed from the existing or soon to exist devices with their content capabilities and the economic rationales for their development. This theorizing is useful and stimulating but for

the near term the application of the newer technologies will be based on the profit (not prophet) motive. The decision on which hardware will be developed and exploited first, and the needs its software are presumed to serve will be dependent to the largest extent on current investments, current kinds and libraries of content, and current indications of consumer demand. Novel ways of combining technologies may well be bypassed, socially useful applications may be neglected, unless some industry clearly sees a future pay-off or the state determines what standards must be met. What will be possible and what will be profitable are two different questions. The answers to both could be very wrong but the second answer will have much more to do with what is actually done.

An example might be helpful. To the consumer the videodisc technology could offer a wide variety of exciting possibilities for entertainment and self-enrichment, particularly if coupled with other developments. However, it would appear that the strongest thrust will be to mass market a player which will generate new revenue from old feature films and develop a new market for future Hollywood product. That the player can do other things may be a merchandising plus, but to have a capability to record—a highly desirable feature to most consumers—obviously would not serve the investor's interests. Even a profit on the player may be foregone if securing the mass market means to monopolize the software production, manufacturing, distribution and sales. (Kodak doesn't make its money on selling cameras.) An incompatible machine, although of greater technical sophistication and versatility but dependent on selling at a profit, stands little chance in this marketplace.

services that could be supplied, and the consumers' willingness to pay the necessary costs. Topics included in this section are:

- two-way cable
- optic fibre
- satellites and Direct Broadcast Satellite (DBS)
- multi-point distribution systems (MDS)
- laser

Exhibition - Some efforts are being made at improving the means of exhibiting the information, particularly with respect to television sets. The conventional 19-26 inch screen and poor sound system impose some modifications on the type or style of the content. Changing the size or quality of the picture is fundamentally limited by the present standards, e.g. 525 lines 30 times a second, National Television Standards Committee (NTSC), the North American standard. A drastic change would obsolete all the existing television sets, but short of this some changes are anticipated:

- big screens
- stereo sound
- holography (in the distant future)

It is only for purposes of organization that devices involving the functions of storage, distribution, and exhibition have been so compartmentalized. They interact in profound ways and a development in one "area" may well revise advances in another. For a long time progress in two-way cable which would permit home terminals to interact with a large time-shared central computer for programmed learning, problem solving, et cetera, was heralded. However, the spectacular revolution in semi-

conductors and now large scale integration (LSI) leading to ever-cheaper microprocessors and mini-computers may well place these capabilities almost entirely in the home. If we were to combine these technologies with something along the lines of the videodisc, then the need for two-way broadband cable (and some of its revenue sources) becomes that much more remote. Conversely, the possibility of say, viewing horse races and conducting off-track betting from the home, even having the betting transactions instantly transferred to and from the bank could precipitate two-way cable long before more socially desirable functions ever could.

B. Storage Systems

1. New Videotape Formats

Ever since the development of the Video Tape Recorder by the Ampex Corporation, a large market has been anticipated for selling home playback and recording units. It followed that there would be a large market for prerecorded material distributed direct to the home on tape—content of the consumers' choice with the convenience of playback at anytime. This was the natural corollary to the developments in audio tape of cassette and eight track tapes. Originally broadcast standard playback required two inch tape moving at 15 inches per second in order to get the required fidelity of picture. Such a system was prohibitively expensive in the mass market, but in time a number of companies developed smaller standards such as one inch, three-quarter inch, and half-inch systems. In time, the quality improved and with the advent of colour television which required less resolution in the picture, these narrower and slower moving tapes became acceptable in many applications. Eventually, the Sony Corporation made the breakthrough with the U-matic three-quarter inch system. This device, however, was more applicable to schools and institutions than for use in the home since the cost of a half hour tape was about \$30.00. Previously, two major systems had attempted to invade the home market—the RCA EVR and the Cartravision, but both of these were dropped in 1973 having cost the developers about \$50 million each.

In a recent surprise move the Sony Corporation revealed the Betamax which is similar to the earlier U-matic but it uses a half inch tape which brings the cost of a one hour tape

cassette down to about \$16.00.

The introduction of the Betamax is causing great concern among those companies planning to bring out videodisc technology in the near future. The record/playback unit costs \$1,300 in the United States, somewhat more in Canada, and offers the convenience of recording programs from one channel while another is being watched or while the set is unattended. Sony claims that all the Betamax does is to serve as a "time shift machine" which allows viewers to watch programs they would otherwise miss. Sales seem to be running at 5,000 units a month and were estimated at 20,000 to 25,000 homes in November 1976. Sony projects that by next October there will be 60,000 to 70,000 homes equipped with the new device.

As yet Sony has distributed no preprogrammed tapes but it has expressed interest in aligning itself with production and distribution firms. Although Sony denies it, most experts suggest that the cost of a cassette plus the cost of the program content will well exceed that of programs distributed by videodisc. It is significant that Sony underestimated the amount of tape each Betamax customer might buy. Instead of the assumed six to eight tapes, it has been more like twelve to eighteen and whenever a special event such as "Gone With The Wind" is about to be telecast, dealer's shelves have been emptied of tape. MCA Inc. (one of the major videodisc contenders), through its film-making subsidiary, Universal City Studios Inc., in joint action with Walt Disney Productions, has filed suit to stop Sony Corporation of America from selling the Betamax machine. They contend that this capability of taping programs leads to violation of copyright protection and provides viewers

with access to film libraries of "inestimable" value. (This parallels the controversy when the first audio cassette recorders were introduced which was resolved in the U.S. with the Sound Recording Act (1972) making it a criminal offense to copy music for sale or distribution. However, the Act allows individuals to copy a friend's album or to record from the radio for use in the home.) MCA has indicated that if the Betamax succeeds it might preclude the development of the videodisc industry. While the Betamax can record programs and with an optional camera allow home taping, the disc systems would appear to be considerably cheaper in both the cost of the players and the recorded programming. The implications to content in the home if the Betamax becomes widely distributed will be similar to some of the implications of the videodisc technology discussed next.

2. Videodiscs

a) Videodisc Systems

No one is certain just what impact the videodisc will have on the current mass media or on society at large. It does seem clear, however, that the impact will be very great over the long run. In an unregulated form it is quite possible that the videodisc could completely subvert the intent of the Broadcasting Act and make the present discussions over cable and pay television obsolete.

There are or have been at least 25 videodisc systems, all but one of which have been developed since 1970. In 1936 78 rpm discs providing six minutes a side for playback on a mechanical television system were actually sold in Selfridge's

Department Store in London for seven shillings—this lasted four months.

At the present there seem to be about five or six systems, none of them compatible, in final development and imminently about to be marketed. In fact, one of them—the Telefunken/Decca System or TeD—went on sale in West Germany in March 1976 and has now expanded sales to Austria, Switzerland and Sweden but has met with slight success.

The various systems can be divided into electro-mechanical and photo-electric. The former involves a stylus in contact with a groove on a disc similar to audio records, however, the disc revolves at much greater speeds and the groove is much finer. TeD and the RCA Selectavision fall into this category. The photo-electric systems are based on a light source (usually a laser) reflected from or passed through the disc, e.g. the MCA/Philips Disco-Vision, the Thomson-CSF system and the i/o Metrics system.

i) TeD

While TeD has the distinction of being the first video-disc to reach the consumer markets, sales so far have been disappointing but so has the general economic climate in Europe. Widely regarded as TeD's major drawback is the playing time of the disc. This is limited to ten minutes which is partly due to the size of the disc (about $8\frac{1}{4}$ inches) to allow direct pressing into magazines or newspapers (the disc itself is only a tenth of a millimeter thick)—a possibility already experimented with by one German publisher although it is not expected to be exploited commercially until at least 1979. Another drawback is that the program master must be film, preferably 35 mm, and

is transferred to disc at only 25 times real time without the possibility of monitoring the mastering process by visual display.

Although software is being steadily developed, the TeD system was released with a library of only 50 titles and has now only increased this number to about 100. On the whole, this programming is dreadfully unimaginative and primarily consists of travelogues or how-to-do-it demonstrations. In Germany, Austria and Switzerland efforts are directed toward the mass consumer market. In Sweden, they are aimed at the educational and institutional trade. The machine sells for \$650.00 and sales have been estimated at 2,000 units from 6,000 in distribution and 15,000 produced. To get around the ten minute time limitation Telefunken has developed and recently demonstrated a new player/changer which with a four second interval between discs, permits two hours of continuous programming.

TeD is a truly mechanical system. A floppy plastic disc, containing a hill and dale cut spiral groove, rotates at fifteen hundred rpm on an air cushion generated by the disc's rotation. A diamond stylus in a piezo-electric pickup functions as a transducer, converting variations in pressure between the disc and the head into an electronic signal. The disc surface is therefore sensitive and the disc, along with its cover, is fed directly into the machine which removes the record for play and returns it to the cover so that it is never touched by human hands. Since a stylus makes contact with the disc, some wear is involved and the life of the record is assumed to be about 1,000 plays. The stylus also is subject to wear and must be exchanged from time to time. Discs with content sell for about

\$10.00. A true still frame is not possible but very short sequences can be continuously repeated. "Browsing" is possible.

ii) Philips/MCA Disco-Vision

Possibly the leading contender in the videodisc race is the yet to be released Philips/MCA Disco-Vision. This merger of the Dutch Philips Company and Hollywood's MCA Inc. combined the electronic work of both which had been very similar in principle with MCA's access to an 11,000 title library of feature films through its subsidiary Universal Films. MCA has also made a number of agreements for non-exclusive use with a number of the other major studios. Philips brings to the partnership not only electronic expertise but a domestic consumer marketing capability (Magnavox) perhaps not even matched by RCA, Decca, or Telefunken among the other contenders.

Although previously announced to appear in time for the Christmas trade 1976 most estimates suggest that it won't be marketed until late 1977. Philips/MCA has announced to the surprise of the industry that they will pursue the institutional and educational market first. It had been anticipated that for most of these systems the mass market would have to be sought first. The cost of mastering the software for limited production runs would raise the cost per disc greatly for such a small market. Conversely a mass market would not be responsive unless there were considerable programming available in wide distribution. Since Disco-Vision incorporates a very sophisticated informational storage and retrieval system it may succeed in the institutional area first.

The metallized, reflecting disc—rigid or floppy—contains a continuous spiral track composed of minute pits. A

laser beam directed onto the track is reflected back along the light path in varying intensity due to the pits. A beam splinter directs the returned light through a photo-diode detector for signal processing. For NTSC the disc rotates at 1800 rpm and at 1500 rpm for PAL and SECAM (European Standards). Each revolution produces one frame and each frame can carry a numerical identification permitting any one of the 54,000 frames to be recalled and frozen simply by pressing the relevant number out on a keyboard. On the basis of equating a single frame to half a page of printed material each disc which ordinarily contains 30 minutes of television content could contain 27,000 pages of printed material—or roughly the Encyclopedia Britannica on one disc. Slow motion, reverse action and "browsing" are also possible.

Philips says the helium neon laser assembly will cost around \$10.00 in mass production (although there is some speculation that there are problems in this area) and that players will cost \$400 to \$500 at launch date, with discs at \$2.00 to \$10.00 each retail, depending on programming. (It is assumed that most of the videodisc systems will be introduced into the market at less than normal retail mark-up in order to facilitate their mass distribution.)

Recording is in real time and replication is by pressing in PVC from stampers made from the master. After pressing, the discs are coated with metal and a transparent protective layer. Dust or dirt which gathers on the disc surface does not affect quality as it is out of focus. Since nothing comes in contact with the disc there is no wear involved. Discs should have a perpetual life.

iii) RCA Selectavision

The RCA Selectavision is the other main contender in the videodiscs' sweepstakes. The system is designed with one function in mind—to provide home entertainment and information—and is argued to be cheaper than the Philips' MCA system. It differs considerably.

First, the RCA system employs a grooved disc with positive stylus tracking, which eliminates the need for expensive servo loops. Second, the stylus used is cheaper to manufacture than a helium neon laser assembly. In the player, only this pick-up is a non-standard component.

The 12 inch disc is made of PVC which, after pressing, is coated with metal and dielectric layers. Information is recorded as slots of varying width and spacing in the bottom of the groove. Signals are derived from the capacitance between the metal on the disc and at the tip of the stylus. In a process very similar to audio record manufacture (except for the original master) a total of 125,000 copies can be made from one original master. Recording speed has gradually been increased and has reached real time.

One drawback of the system is that the slower speed—450 rpm, required to maintain relative stability—means that four frames are recorded per revolution, eliminating the possibility of freeze frame capability. Playing time per slide is 30 minutes and both sides can be used.

RCA has another problem: it has no software of its own. This is being overcome in two ways: by buying up old movies and self improvement films and by trying to influence potential licensees. Of all the major companies RCA has been the most

secretive and the least ready to give demonstrations except to the trade and then only by invitation. RCA's videodiscs are expected to last in excess of 500 plays, while stylus life is 300 to 500 hours at which time a new snap-on stylus for \$10.00 can be obtained.

iv) Thomson-CSF Optical Videodisc System

The Thomson-CSF is a French development and is in many ways very similar to the Philips/MCA Disco-Vision. It uses a laser optical system but rather than reflecting the light from the surface of the disc, the Thomson-CSF has utilized a transparent disc and shines the light through it. The Thomson player has the same freeze frame and random access capabilities as the Philips/MCA—each 360 degree track is "numbered" so any picture can be located within two seconds.

Figures supplied by Thomson indicate that the discs will cost between \$2.00 to \$10.00 depending on quantity programming. However, even in units as small as 20 copies the Thomson compares favourably with U-matic cassettes. Thomson's marketing plans are unknown but it is assumed that they may be first directed at the institutional and educational areas. Although the system is quite similar to Philips/MCA they are not compatible.

v) i/o Metrics

Generally regarded as an outsider, i.o Metrics is well advanced and is still in active development. It is a laser based system employing a helium neon laser source to record FM analogue signals in the form of a spiral track on a 12 inch disc.

The disc is made of standard photographic materials and

is processed in ordinary photographic chemicals—a process claimed to require minimal expertise—with a total dry-to-dry time of ten minutes. Replication is by photographic contact printing. Each disc can contain up to 50,000 frames. For data applications, discrete concentric circular tracks can be recorded rather than a continuous spiral track. The company claims that the photographic system is "a natural choice" for small runs (less than one thousand copies). Replay is achieved with a miniature 13 watt incandescent light bulb shining through the disc with the beam focused by a microscope objective and a moveable mirror onto an avalanche photo-diode video detector.

The laser recording unit to make the discs is expected to cost less than \$30,000, the player under \$200.00 and the discs about 20¢ each plus program costs. A retail price of \$5.00 per disc has been quoted. i/o Metrics has also experimented with bonding discs into sandwiches with a carefully configured optical system permitting refocusing from one layer to another. Four layers is regarded as a reasonable practical limit, offering about 90 minutes playing time from one package. Apart from domestic entertainment and general information the applications envisaged included audio recording, computer peripheral storage/retrieval and graphic data storage.

vi) MDR (Magnetic Disc Recording)

MDR, although a relatively limited application, is potentially a possible major system insofar that it is the only imminent system with a user-record capability. MDR is somewhat analgous to a video cassette since the recordings can be made in real time which is a distinct advantage over some other approaches, but it suffers from the drawback in that all copies must be

made individually even though multiple slave copying is clearly feasible. The disc originally rotated at 78 rpm but was modified to double that speed--156 rpm. The 12 inch disc itself is rigid and coated with a fine grain magnetic substance jointly developed with BASF. The outer area of the disc surface is impressed with a continuous spiral groove which guides a stylus on the record arm. This guides the magnetic record pickup head which is in contact with the smooth disc surface. Disc life is claimed to be in excess of 300 plays. Prices quoted for the impending launch in France is about \$700.00 for the player and about \$9.00 for blank discs.

vii) Other Systems

Of the remaining 19 or so other systems it is conceivable that one may turn out to be a real winner. However, the economics involved are far more complicated than simply arriving at a viable technology. It appears that only huge companies with the capability of providing the right mix of programming and marketing and the ability to sustain heavy investments and early initial losses will have any chance of succeeding. It is anticipated that some of the major systems may merge to the extent of having a compatible technology. At the moment the majors appear to be going it alone. Although it is felt that maybe more than one technology could find a viable market, it is obvious that not all of them can succeed. (Dr. John Locke, University of Toronto, has developed a laser videodisc technology with both record and playback capabilities. The cost of the unit--\$2000.00 to \$3000.00--probably precludes it from the consumer market for a long time.)

b) Videodisc Economics

Previous attempts to launch a home video player for the mass market have been failures for one or more of three crucial reasons--reliability, price, and programming. Premature

launches of various film or tape cassette systems are estimated to have cost the industry \$250,000,000 so far.

By far the greatest attention has been focused on the potential of videodiscs in the mass consumer market. Experts believe that there is going to be a completely new form of entertainment tailored to television discs. However, no one knows just what this will be. What is agreed is that penetration of a videodisc system must reach between three to ten per cent of a market like the U.S. in order for the system to support original programming. This would mean that there would have to be between half a million and a million and a half videodisc players in distribution. The consensus of projections appears that with a late 1977 introduction, it would be between three to five years before the one million figure is reached. This penetration then would probably be much slower than TV itself or colour sets or high fidelity equipment. Taking into account the cost of producing a program, the mastering and duplication, and royalties (15 per cent approximately) a 60 minute program produced in 50,000 copies would sell in the area of \$25.00 to \$40.00. The 50,000 copies relates to five per cent of one million players sold. It is obvious then that in the initial years of videodisc the programming will be highly constrained to relatively few topics that must be widely sold since the initial base of players in use may well be slight.

c) Programming

At the First International Videodisc Programming Conference held in New York, November 17-20, 1976, a number of experts gathered to attempt to assess what direction this new technology would take in programming. It was agreed that

technology does create its own art form and much was made of the changes that took place in audio content with the transition from the 78 rpm record to the 33 1/3 long play record. Roland Gelatt, the music critic, pointed out that the LP first followed the repertoire of the concert hall but the changed economics allowed small companies and new repertoire to emerge. This led to new kinds of music to be heard, e.g. baroque, Tellemann, Vivaldi and Mahler. Operas by the minor masters gained recognition and this led even to the change of the repertoires of the existing opera companies. If there were a lesson here it was one that there was no lesson, there was a new audience for new contents. Film authority Hollis Alpert noted that he was "surprised to realize that his own music taste was profoundly affected by technology". Critic Judith Crist questioned "how many times are we going to look at a movie?" She anticipated that movies are going to become longer and slower (Barry Lyndon) and that the B movie no longer exists. She categorized movies as either exploitation or major event. "In between goes to TV." The consensus was that the medium would develop new messages but that it would be some time in finding just what this is. One panelist strongly felt that the successful launching of videodisc would depend on some "gimmick". Much as Betamax excited the imagination through its convenience of storing and delaying programs for replay at convenience, videodisc would have to find something stronger than simply the ability to play-back movies.

Suggestions in this area of "gimmick" included the little discussed topic of pornography. It was conceded that pornography would probably be an important but not overwhelming aspect to

the content of videodisc. A number felt that the videodisc offered the responsible parent the opportunity to provide high quality children's programming in the context of the home providing enrichment for children, i.e. the classics, the fairy tales and suitable adventure dramas. It was also noted that children particularly like repetition of favorite stories and the videodisc would permit this. (Some agreed but felt that the videodisc player might become a babysitter allowing the parent a clearer conscience.) Due to the tremendous information storage capability of the videodisc, a wide variety of applications for in-home learning and extremely sophisticated video games involving highly intricate branching techniques would be very possible. It was noted that a multi-media learning system only becomes practical when the conventional media, computer instructions, and control signals can be combined in a conveniently stored, easily delivered package, that is also cost effective when many copies are made and distributed. The videodisc is an ideal form for combining the media and the computer instructions. Videodiscs not only store conventional video and audio they can be thought of as broadband electronic storage devices capable of playing back extra channels of audio, computer codes, or whatever, along with standard NTSC video and audio. Laser scan videodiscs have the added advantage of displaying still frames for any length of time, and random access of both still and motion sequences.

Because of the above educational applications, the United States Navy conducted the most extensive research into the possible future application of videodisc. The Navy Personnel Research and Development Center (NPRDC) asked a group of experts

to predict some of the effects of videodisc technology ten years after videodiscs first became available to the public. To predict the diffusion of videodiscs in all its markets and applications, the researchers at NPRDC turned to the "Delphi" research technique developed two decades ago by the Rand Corporation. The Delphi technique allows "the systematic solicitation and collaboration of expert opinion." The study involved a panel of 150 experts who were polled in such a way that specious persuasion and bandwagoning could be eliminated. The panel of experts predicted:

i) The videodisc will allow individuals to pursue a college degree in their home.

ii) Attendance at paid cultural events (dance, drama, music, films) will not suffer due to the videodisc but there may be reductions in theater attendance for pornographic films.

iii) At least one home in twenty will own videodisc players, in 1987 up to one fourth of all TV sets built for home use will have videodisc players built into them, and videodisc "changers" will be available for those willing to pay for them.

iv) There will be standardization through market-place elimination of inferior systems although the panel could not agree on a prediction that a single system will be universal by 1987.

v) Videodisc "periodicals" will combine motion and still visuals; these periodicals along with the availability of "non-perishable" performances in record stores will probably increase the broadcasting of "now" actualities by stations and

networks.

vi) The panel reached high consensus that four channel (quadraphonic) sound would be standard for videodiscs.

vii) It was improbable that small audience TV programming (symphonies, ballet, opera) would be eliminated by comparable disc programming, at least by 1987.

viii) The panel agreed that, in general, short playing albums (single discs, perhaps with longer playing times) will out-sell long playing albums.

ix) Give-away videodiscs will advertise movies and describe political candidates.

x) The panel thought that "maybe" Sunday newspapers will contain give-away videodisc reports of previous week's news and sports events.

xi) The need to combine audio, stillframe, and random access capabilities in instructional videodiscs will change educational media production techniques.

xii) College courses designed for home study will also be used in secondary schools by advanced students.

xiii) Videodisc "packages" will be available for college credit courses. Non-credit educational pursuits, such as "how to" discs, will be widely seen.

xiv) Advances in videotape technology will not provide competition for the videodisc.

xv) The current marketing concept of ownership of existing motion picture titles on videodisc will be less popular with the consumer than mass communications, e.g. volatile periodical video magazine concepts.

xvi) Given the availability by the end of 1977 of

at least one videodisc system and a sufficient quantity and diversity of programs, then in ten years time the public will have two million player units.

xvii) Given roughly equal programming resources between a video tape system and a videodisc system, a consumer would be more inclined to buy the disc system if it costs one-third as much as the tape system, but not if the disc system costs two-thirds or more of the tape system (Videodisc vs. Betamax).

xviii) There will be significant shifts from centralized education to decentralized education.

xix) Various audio visual media forms, i.e. Motion (film or tape), stills (graphics, film strips, etc.) consolidated on videodisc, will have made TV presentations by 1987 the rule rather than the exception.

To date, much speculation has centred on films as videodisc programming material. Both systems (Philips/MCA and RCA) envisage a high degree of consumer interest in movies—current and near current releases, and collector's items like "Casablanca." Consumer studies indicate some interest in this area. The question of how many times would you want to watch even your favourite movie is usually answered by "how many times do you read a book, but you go out and buy it." It is certain that at the outset both discs systems will depend heavily on movies, a commodity that MCA, which owns Universal Pictures, a movie library and a record company, is well equipped to supply. MCA already has a brochure out showing full colour album covers for such movies as "Airport," "The Day of the Jackal," "Thoroughly Modern

Millie" and "The Sting." It predicts that "Jaws" will probably be on discs. It should be noted that a number of the major movie companies were very reluctant at first to release content to pay television in the expectation of the videodisc. Universal has only recently made product available for Pay TV. RCA claims it has rights to over 1,000 titles but states that it will start with 250 with the ability to add rapidly as the market dictates. (An RCA analysis of top ten grossing films annually 1965 to 1975 indicates that although Universal produced 12 per cent of total pictures during that period it had only 5 per cent of top ten features. This counteracts the MCA claims to the value of their library of 11,000 titles.)

MCA has indicated that beyond its own programming resources, it has acquired and will continue to acquire programming from outside sources. Warner Bros., to cite one example, will make its feature films available on MCA Disco-Vision video-discs. Included will be such titles as "The Exorcist," "What's Up Doc," "The Immigrants," and "Blazing Saddles." 20th Century Fox has done likewise and includes "Towering Inferno." Paramount Pictures has also indicated willingness to be released on MCAs Disco-Vision. However, these arrangements are not exclusive.

In attempting to ascertain consumer interest, an RCA survey showed feature movies led all categories followed by drama, opera, music, then children's programs. Program surveys didn't mention pornography as such, but did include X-rated films. They weren't at the top of the list, but there was good interest in them. Some X feature films but no hard core porn may go out with RCA label. Both systems, Disco-Vision and

Selectavision, initially and later will offer a broad variety of material beyond feature film. Generally considered are children's programs, sports, special interest features, such as cultural programs and "how to" features. The first of the MCA cultural disc series, already produced, is "Museum Without Walls," which comprises 11 films made under the supervision of British art historian, Douglas Cooper. MCA's catalogue also includes material drawn from its Universal subsidiary, including such curious ideas as "The Best of Dragnet," "The Best of Kojak," and (believe it or not) "Raymond Burr Speaks to the Laymen on Your Legal Rights." RCA points out that "[MCA] must buy films from others, too. MCA may be a theoretical 2 per cent of the feature library [RCA] would like to get." It appears that in the past year RCA has negotiated licensing deals which include 100 pre-1974 feature films from 20th Century Fox, and 200 features from the MGM library. The RCA videodisc catalogue has such classic films as "Singing In the Rain," "Citizen Kane," and "The Magnificent Ambersons," and such non-feature material as the "David Bowie Rock Performance," cartoons, opera, ballet and instructional programs on golf, cooking, needlepoint and home repair.

The great problem in the videodisc industry is anticipating just what kind of programming will open up the mass market to the sale of videodisc players. The leading contender, Philips/MCA Disco-Vision, in recently announcing a first attack on the educational and institutional market may well be going counter to what MCA Inc. wants. The industry is caught in a "chicken and egg" problem. To provide low cost discs there must be a mass market of players, and to get a mass market of players

there must be a low cost disc. The replication cost of the discs is very inexpensive but the cost of "mastering" is high which means that many copies must be produced to achieve a profit. When used as an information storage and retrieval system, the high cost for a single disc in the institutional market may not be critical. However, to companies holding a stockpile of feature films and having a motion picture production capability, the mass market is certainly the objective.

3. Digital Storage Devices

The whole computer/data processing industry is based on a different system of encoding, processing and distribution of information known as digital. The TV, radio and telephone systems work in analog techniques. Transfers from one system to the other are quite possible but each has its own efficiencies. Over the last two decades revolutionary changes have taken place in the digital field and the costs of handling memory and computations have subsequently diminished. Technologies which at one time were only available at great cost to huge institutions, are becoming cheaply available in the home, e.g. pocket calculators of ever-increasing sophistication has ever-declining cost.

The development of integrated circuits, including large scale integration noted above, has permitted this revolution in the handling of information. Parallel capabilities in the storage and accessing of memory are just now being developed. At present, high speed access and large scale storage are found associated with computer complexes. Referencing a tape or disc is slow work for a high speed computer. Most of the "wired

world" concepts include remote terminals in the home for accessing large computers. This implies the broadband (cable or optic fibre) connection to the computer, point-to-point service, and time sharing with the computer. It may well be that long before a truly switched two-way broadband network could be operational, microprocessors and mini-computers using additional information storage and retrieval from devices similar to videodisc or other current developments could well obviate the need for this application of two-way cable.

A new device on the market stores a few seconds of audio information in a computer-like memory and playback does not depend on a moving tape or disc but is held in a solid state electronic code within the device, similar to a calculator holding numbers. The message can be broadcast as frequently as called for, changed by entering new information, and doesn't need to be "re-cued" to the beginning but can be started instantly at any time (random access). Although a long way from handling the information necessary for a video program which simulates motion, intermediary technologies, e.g. charge coupled devices (CCD) and combinations with other existing technologies may well move the huge central library functions associated with two-way cable concepts into the home.

Early indications of this decentralizing shift is taking place in industry. IBM, the leader in the \$20 billion computer industry and basically a manufacturer of large leased computer installations is moving into "distributed data processing" where users process data locally on mini-computer networks. These computers are sold for \$4,400.00 to \$6,200.00 plus costs of main memory capacities. At present the market for distributed

processing amounts to 4 per cent of the computer industry. Experts predict that by 1980 it will amount to 17 per cent or \$5.6 billion.

4. Video Games

The current fad of video games, although likely to fade quickly in its present state, is indicative of the early capabilities of L.S.I. applied to home entertainment. Supply could not meet demand, and it is estimated that in 1976 3.5 million games worth \$229 million were sold. Most experts predict a short product life for these first efforts, but newer approaches indicate much greater versatility and sophistication. Changeable "programs" and subscription services have entered the market. Combined with videodisc or video cassette and even built right into the TV set the possibilities for programmed learning and complex games involving branching structures (wherein the next set of circumstances are dependent on the previous responses chosen by the learner or player) become virtually endless.

Again a trend is apparent to decentralize the technology and move away from dependence on a sophisticated broadband delivery system.

5. Summary

Until recently, the communication delivery system has been regarded as the answer to providing greater options and diversity in the content available in the home. In the case of conventional cable the addition of ever more channels and particularly channels of consumer supported programs (Pay TV ,

either by monthly subscription or with a per program fee) has appeared to be the next step. To further broaden the mix and individualize service, various schemes of accessing libraries and large computers have been forecast which depend on various techniques of sending signals upstream from the home to a central source, or even from home-to-home. However, this section on storage of information has strongly indicated that developments in videodisc and other technologies may well remove a lot of the consumer demand which would assist in the financing of a true "wired world" concept. Although the technological capabilities exist to design "ideal" systems, the evolution of the various components which are dependent on very immediate and direct economic returns will certainly preclude such logical integration. There has been little evidence in the last four decades in Canada of any coherent and comprehensive planning in this regard and invariably the technologies develop in some diffuse pattern, become well entrenched, and are then subjected to regulatory pressures.

Much of the above space has been devoted to videodisc. Although a number of problems are still plaguing this technology it appears certain that its North American mass marketing will begin in late 1977 or early 1978. Expert projections vary but the consensus is that videodiscs are coming, that they will proliferate much more slowly than did TV or radio, but that one million sets in five years, and two million sets in ten years is not overly optimistic. The videodisc birth and maturation of the industry could be far more dramatic. The programming in the mass market will initially reflect content similar to current TV and movie fare with the notable addition of porno-

graphy. Videodisc players may have considerable initial appeal to the more affluent family whose members are light TV consumers and movie-goers but who wish to determine when and what they watch. Future programming will likely move toward interactive programs, topical digests and subscription services much more akin to current print practices. Eventually the programs could be coupled with advertising in much the same way as magazines are today; ultimately programs may be given away for the advertising contained in them. The players are relatively expensive (\$400-\$500) but once in wide distribution the disc manufacturing costs can be in the order of a few pennies each. A new type of "direct mail" can be foreseen.

With respect to violence, there is little that can be forecast about videodisc. That some of the player's marketability will be assisted by consumer access to exploitational film in the privacy of the home is noted. The major companies are not stressing this, nor are they likely to. They may even have restraints on what is deemed suitable for reproduction by their processes—processes over which they have considerable control. In the case of the tape machine (Betamax) there is no such manufacturer control. Anyone can dub a tape, and already many X-rated films are available in 3/4 inch format suitable for play on home tape machines.

Some of the significance of these new developments lie in their effect on existing systems. It has been noted that the motion picture industry continually must seek content sufficiently different from conventional TV to warrant attendance at the box office. TV, although subjected to many internal and external constraints, continually moves to areas of more and more

"relevance" and explicitness. The competition for the limited leisure time and dollar of the consumer following the introduction of videodisc may cause further adjustments. At the outset, videodiscs would appear to be predicated on current program styles and formats. Thus the discretion of viewing a wide range of content from G to X is left much more to the individual home. Some thought will have to be given to whether or not videodiscs of feature films and programs should involve licensing by the Theatres Branch.

In the case of our broadcasting system the unregulated videodisc means further fragmentation of audience and proliferation of U.S. content. Possibly it would be damaging in areas of public information and education—areas in which, heretofore, there has been some Canadian autonomy.

C. Delivery Systems

1. Introduction

At present the technologies for delivering a TV program to the home consist of over-the-air broadcast or by means of cable. Microwaves (higher frequencies than standard broadcast) are used to transport the TV signals from tower to tower, or to space and back for long distance transportation. In terms of the amount of information carried, one TV channel equals about 1,000 simultaneous telephone calls. So far, broadcast and cable as applied to TV, are one-way and non-switched systems—everybody gets the same thing from a single source, and can neither originate into the system, nor receive specific content which is not simultaneously available to somebody else using similar receiving equipment. In the case of broadcasting, there is such a scarcity of channels that it would be impossible to have other than a few licensed stations operating. In the case of cable, certain return feed options are possible and are generally referred to as two-way cable.

2. Two-Way Cable

Reference has been made earlier to Telecinema of Columbus which has the ability to measure which channel a particular set is tuned to and for how long. This depends on a small transmitter at each set broadcasting this particular information "upstream" to a computer at the cable head end. Only small subsections of the cable system can be opened up and measured at one time, since many of the little transmitters must use the same frequency and all of them broadcasting at once would be indecipherable at the present state of the art. About 12

practical experiments of various techniques of two-way cable are being conducted at this time. None presuppose fully two-way point-to-point switched systems analogous to the telephone system, since this requires an immense switching apparatus and virtually a cable or pair of cables linking every home to an exchange. All the experiments attempt to do is provide some return from the home to the central head end and possibly some determination of which home gets which program.

The basic application of cable in North America has been to fill a number of channels with programs so that the home viewer can select from among these channels using the tuner on the TV set and possibly an additional converter. Rediffusion Ltd., in England, uses a different concept. A pair of wires (not a cable and therefore only applicable to relatively short distances with a single channel) goes from the head end to each home. One wire carries a TV program, the other sends information to the head end to indicate which program should be sent. When the subscriber dials a program, he is not tuning to a particular channel, but instructing the head end which program to send. This increases greatly the number of program choices that could be made available, but limits the home to a single choice at one time unless another pair of wires is available for a second TV set. This approach begins to approximate the telephone system in that separate wires connect each home to a central office, however it is a long way from permitting home-to-home broadband contact. The earlier notions of the "wired world" were seriously debunked when the actual costs were projected. Billions have been spent in capital investment in the lowband telephone system. To convert this into an equivalent broadband

system would take many times that amount. However, some partial approaches are being pursued. Many depend on broadband one way and a limited response upstream in the cable or via telephone. The kinds of services these capabilities will be developed for will be directly related to the economic return expected.

In the foreseeable near future the first stage of development will be associated with being able to identify these particular homes. Anonymous responses may be interesting for popularity contests and public opinion polls, but no obvious way to make money from this service is apparent. (This statement may be proven false--the author admits lacking some newer highly confidential information). Once a home can be identified (similarly to computer identification of subscriber dialed long distance calls) an array of possibilities is presented, e.g. pay-per-program television meter reading, remote sensing for fire and theft, emergency calling for police, fire, and ambulance by simply pressing one of three buttons, in-home shopping and gambling, and information retrieval. If this element of impulse purchasing is combined with direct access to bank accounts by means of electronic transfer of funds, then so much more potent will be the economic pressure to exploit the service. However, for television in-home selling, the same kinds of legislation which govern door-to-door sales (specifying cooling off periods, et cetera) are clearly indicated. Apparently the Bank Act would have to be amended before electronic funds transfer would be legal and at this point the debate would commence. With respect to plebiscites or national referenda, amendments to the Election Act would be required. It seems unlikely that representative government would be permitted to change drastically. That the technology for instantaneous voting is possible is hardly synonymous with an

economic return. (Letter ballots have served this purpose in the past in some applications, but never for political elections).

The implications for violence in the content of two-way cable centers in the wider choices and increased U.S. content possible in Pay TV and pay-per-program systems. These have been dealt with in Chapter IV. Should two-way cable later evolve to include library access, then the initial form will be one person or group requesting and paying for a program when they want it. If specifically addressed or scrambled they would have exclusive use. Whether it is exclusive or not, the requestor pays for the privilege of determining the content and the time it will be shown for which a fee could be charged. Neither violence nor much of an economic return seem likely.

In six Quebec municipalities centered on St. Hubert the Videotron Company has provided eight channels of library service at no charge on a "first come, first served" basis. It does allow the community to "eavesdrop" on each other's tastes, and programs are drawn from a library of 2,500 titles. The primary objective of this service is to provide a further inducement to gain subscribers to the cable system. It also reflects the owner's dedication to community service.

Although this service is not strictly two-way cable since the requests are telephoned, eventually some simple upstream technology could provide the calling function and it does currently operate in a two-way sense because the system is responsive to the subscribers. The eight "auto-programmation" or demand channels are available to the 20,000 subscribers and provide programs obtained from free sources (70 per cent NFB

and Radio-Quebec). The subscribers receive a catalogue every four months and recent additions are included on a program information channel. Each of the eight channels is dedicated to a subject area: Arts, Sports, Students, Science and Education, Social Affairs, Children, Golden Age, and Leisure. If there is no request on a channel, it is left blank. Apparently about 3,000 requests are made each week, at all times of the day or night. The local services cost the operator \$350,000 a year or about one sixth of their annual gross revenue, but they do show a saturation of 43 per cent which is 9 per cent higher than National Cablevision in nearby Montreal. The auto-programmation service appears to be highly regarded (second to the off-air basic service). Whether such a service on a fee-per-request basis would be revenue productive is unlikely. If copyrights were involved and the content included entertainment, the system would probably fail. However, it does show what can be done in striving for interactive programming and active participation from the community.

As cable moves closer to being operated as a telecommunications common carrier (Manitoba) and various operators lease channel space for specific services, it becomes more difficult to place responsibility on operators of revenue producing services to lease additional channels to provide free public service. The problem has not yet been thought through.

From the above discussions it is reasonable to conclude that in the near term cable developments and the introduction of Pay TV will primarily disseminate more of the present typical mass media content. Even as the capacity for more diversity rises and responsiveness to individual requests improves, this

role may well be eclipsed by in-home playback units such as videodisc, probably as a component of a really comprehensive audio/video home entertainment center. There is a trade-off in costs involved between using a central source with a multi-channel access delivery system as opposed to control of playback in the home at personal convenience. Neither system will eliminate the other but the cost reductions and increased capabilities of cable associated with optic fibre technology is some time away, at least in North America. Videodisc will probably be established before then.

3. Optic Fibre

a) The Japanese Field Trial

On November 15, 1976 an interactive cable television network experiment began test operation in Japan. Preliminary studies of coax cable indicated that its limitations in sheer bulk, cost, and relatively narrow transmission area per cross section of cable would not match the geographical scope, multi-channel requirements, and future flexibility envisaged in the proposed communications network. Optic fibre provided the answer, although it had been reputed to be ten years away. Using light frequencies transmitted through a hair thin glass fibre which is stronger than steel, lighter than copper, and (when mass produced) far cheaper than cable, large amounts of information may be handled.

The field trial will include 300 subscribers in the Higashi Ikomi area, a model city near Osaka, about 300 miles west of Tokyo. After performance evaluations plans call for the project—called HI-OVIS (Higashi Ikoma Optical Video

Information System) to be extended to other parts of the country. In essence the communication technique is similar to Rediffusion Ltd. in England which links each home with a pair of wires, but in this case, a pair of optic fibres is used with their much greater information capacity. This system begins to achieve the wired nation concept and this first field trial is projected to cost \$15 million over three years with actual installation of the fibre optics to begin in 1978 and evaluation to be completed in 1979. Both analog and digital signals will be used.

With central and regional computers providing the necessary controls, the HI-OVIS test subscribers will use equipment installed in their homes to interact with the system via keyboards in a number of ways:

- i) Request television programs. The computer activates the video information storage and transmission unit, switching the designated program for automatic transmission.
- ii) Request data. Requests are transmitted to the subscriber in still-picture form at his option, including all types of specialized information, such as news.
- iii) Facsimile. Hard copies of video information can be obtained, including a home "newspaper."
- iv) Computer-assisted instruction. Still pictures and video materials are used as an educational service for both school-age children and adults. Questions and assignments appear on the screen of a multi-channel home television receiver with a built-in memory. Students respond on the keyboard, with their understanding evaluated by the computer, which regulates the progression of the teaching program in accordance with the

capability demonstrated by each individual. Typical courses are mathematics, Japanese and foreign languages, chemistry, and vocational training.

v) Cashless transactions. Store and restaurant bills, rent, and utility charges are among those that can be paid through the system, with deductions made automatically from the bank account of the subscriber.

vi) Television shopping and reservations. Goods appear on the screen of the home television set, together with prices. The subscriber can order via keyboard input. Payment is made automatically from bank accounts. Theater, restaurant, and travel reservations can be made in essentially the same manner.

vii) Television retransmission and independent television broadcast. This includes current CATV services, plus independent broadcast of stock market reports, time checks, weather reports, local news, and various announcements of interest.

viii) Request FM and independent FM. Many audio programs can be rebroadcast at the subscriber's request. Independent broadcasts consist primarily of music.

ix) Burglar and fire alarms. Detectors are installed in each home so that the central computer can sense any abnormality, such as intrusions, excessive heat, and smoke, and respond as indicated. For example, alarms can be transmitted to police and fire station, and instructions relayed to the household on emergency measures to be taken while safety units are on the way.

x) Telemetering and telecontrol. Electricity, gas,

and water meters are read automatically and charges settled as cashless transactions. Telecontrol service makes it possible to regulate household electrical appliances and heating and cooling systems from outside the home.

This list embraces practically all the features attributed to the most sophisticated two-way cable. The Japanese believe success will depend on keeping the home terminal equipment below \$3,000 (high by our standards) and on community involvement. They look on this information transmission system as the model for the modern "information society."

The objectives for developing such a system are not based on profit return but on national social goals. A number of satellite cities, "The String of Pearls," are being planned. These wired cities will give Japanese a wider and more comfortable choice of home sites without cultural isolation. The overall objective with its emphasis on education, information and corollary services, is to seek to augment productivity by enhancing the quality of life for 110 million residents (on the premise of zero population growth).

b) Other recent applications of fibre optics

In these last two years amazing strides have taken place in this technology. Stronger and better fibres are being produced ever more cheaply and more and more they are being incorporated into existing situations. Rediffusion in England has installed some of their trunk in optic fibre as has TelePrompTer in New York, and the Bell System, in Georgia. Canada is well in the forefront with the work of Dr. Elmer Hara of the Communications Research Center and the studies currently taking place at Bell Northern Research, both in Ottawa.

Other applications of fibre optics include such diverse items as automobile wiring, fighter aircraft (weight reduction—one third the weight of copper wiring), and the Department of National Defense, the latter because the system is highly secure and can't be "bugged" in conventional ways while being impervious to outside interference. Cable systems are studying these developments closely and see applications to trunking in the near future.

c) Implications for Content

In the absence of some all-embracing communications strategy, as exemplified in Japan, where both the telephone service and all the two-way cable features will be carried by fibre optics, this technology in North America will only slowly find applications within the present structure. Possibly it will be applied more comprehensively in areas as yet unwired. Both Manitoba and Saskatchewan have been taking keen interest in the technology as a means of extending modern telecommunications more widely, even to the farm, for primarily social reasons, e.g. the right of all citizens to equitable telecommunications services and the reduction of cultural isolation. Without some such political will to direct the overall implementation of fibre optics then this new technology will simply be patched into the current system to replace obsolete parts. Once the cost reductions in fibre optics take place, Pay TV closed circuit ("pirate") operations may become economically viable on a much larger scale. This is not a very strong reason for an immediate Pay TV policy, but one that will grow in time.

4. Satellites and the DBS (Direct Broadcast Satellite)

a) Domestic Satellites

Canada pioneered the development of a domestic communication satellite—Anik I, which has been followed by Anik II and Anik III. A domestic satellite is positioned 22,300 miles above the equator and orbits around the earth at the same speed and in the same direction as the earth turns (synchronous). It therefore continuously maintains the same position relative to the earth's surface (geostationary). The purpose of this is to have, as it were, a microwave tower out in space. On land, microwave signals can be blocked by intervening objects or lost due to the curvature of the earth. A terrestrial microwave system is repeated from tower to tower which are spaced approximately 34 miles apart. A satellite in space can serve a whole continent.

Canada's domestic satellite system or Telsat was established in 1972-1973 to provide northern communications, supplement existing terrestrial microwave, and distribute television programs in the two official languages to the whole country. Programs are received at earth stations costing about \$100,000 each which use a 10 meter dish to collect the signals. These signals are then passed on to a local broadcasting transmitter or are carried via terrestrial microwave to more distant transmitters. Each Anik has the capacity for 12 TV channels of a mix of TV, telephone, data information, etc.

At present nine domestic satellites serve North America—Telsat's Anik I, II, III; RCA's Satcom I and II; Western Union's Westar I and II; and AT&T/GTE Comstar I and II. All use the same frequencies (6 GHz up, 4 GHz down) so that they must be

separated by about 3 to 4 degrees of arc in space and the earth receiving station must be aimed accurately at the satellite it serves. Because of this separation in space, there is only room for about 20 such devices which could serve North America and already parking space is being rapidly filled. After an initial slow start, the U.S. is using these satellites in a most aggressive way. A multitude of private line, specialized common carriers, data handlers, etc. are using their services. Most noteworthy to this study is the relatively cheap nationwide distribution of TV programs, particularly Pay TV. Both HBO (Home Box Office) and Optical Systems Inc. lease channels on Satcom and Westar respectively. The Corporation for Public Broadcasting has entered into a seven year agreement with Western Union to lease three transponders (up to six channels) for \$800,000 each a year. The latest figures for HBO show 78 earth receiving stations servicing 250 cable systems for about 500,000 pay TV subscribers. The cost to HBO for using Satcom probably is under \$1 million. In Canada, Telsat quotes costs in the order of \$2 million for equivalent service.

The impact on content has been to provide an instantaneous delivery system which permits the addition of "live" events at a cost not much greater than bicycling video cassettes. Objections have been raised that the HBO fixed "menu" of programs when universally applied fails to provide for regional and local differences in taste. Optical Systems Inc. on Westar plans to provide four different packages which permit the local pay cable operator a number of options in his bill of fare. So far, outside of "live" events, the delivery system has been used to distribute essentially feature films. In the near future

because of the anti-siphoning regulations the most attractive revenue addition would be the heavyweight fights. This may have to wait until some metering system is added to charge for special events. However, the last Ali-Norton fight was carried by four cable systems in Florida.

b) The Direct Broadcast Satellite

The previously discussed generation of satellites are low power and require an expensive earth receiving station. Currently being tested are experimental satellites using a higher frequency band (14 GHz up and 12 GHz down) coupled with much more power.

Canada has launched, with American assistance, the Communications Technology Satellite (CTS) HERMES, the world's most powerful communications satellite. Hermes is the advanced technological forerunner of a new breed of satellites, oriented toward the provision of improved broadcast distribution and able to provide thinly populated areas with new communication services such as tele-education, tele-health, community interaction and government administration. Hermes not only pioneers the use of a new satellite frequency band, it is also about 30 times more powerful than present communication satellites. This makes possible the use of new, portable earth stations with antennas as small as one metre in diameter. Already, experiments have been successfully conducted using Hermes to link London's University Hospital with Moose Factory General Hospital and a remote northern nursing station at Kasechewan, Ontario; and to link Carleton and Stanford Universities for an innovative course-sharing project, for two examples.

The U.S. has been involved with a Satellite Instructional

Television Experiment (SITE), a direct broadcasting experiment with India. The project provided hygiene, agriculture, birth control and nutrition programs to 2,400 rural villagers for four hours per day. Television sets were surrounded by 200 to 1,000 people, and resulting from the enthusiasm and general beneficial effect, the Indian government has decided to purchase a communication satellite to be launched in 1980. The Ford Administration decided in February not to renew the SITE contract. Official Indian explanations stated that NASA could no longer spare the ATS-6 satellite but U.S. State Department sources stated that the contract would probably have been renewed if a different political climate had existed.

At the recent World Administrative Radio Conference in January in Geneva, six hundred delegates from 113 countries met to parcel out the air waves of outer space. International agreement on such issues has become crucial as worldwide television broadcasting has been made a reality. The key problem has been international allocation of the high frequencies required for direct broadcasting from satellites to the home set. The recent U.S.-India SITE project has allowed an alternative to the expensive earth receiving station to be considered. The direct system would be of special benefit to large countries such as Canada. It would help to eliminate the expensive ground network of relay facilities, but each home would require a more expensive dish antenna on the roof aimed at satellites parked over a spot on the equator which would be stationary in relation to the earth.

Problems exist in the technology however and in its administration. Satellites work on solar power and would

therefore be off-the-air for a period each day. Northern countries like Canada, would further have a problem with the angle of elevation of the satellite, making reception impossible for towns on the north side of a mountain. Administratively, several countries have claimed sovereignty of the atmosphere thousands of miles above their territories and such claims must be internationally resolved. Of some 112 U.N. member countries, only the U.S. has voted for unrestricted use of direct broadcasting. All other nations have voted no, and Russia has declared its intent to "remove" any DBS which violates its airspace.

The implications of direct broadcasting are similar, but on a global scale, to the spill-over common coverage problems which now beset Canada. Many nations are carefully observing our struggles with this problem and are determined to protect themselves if at all possible. Not only is there a proliferation problem but the whole current broadcasting structure in North America would be radically changed. If the major networks plus some independents were permitted such continental delivery then local stations based on local coverage areas would possibly be destroyed along with their community service. In all likelihood cable would cease to exist if 12 or more channels beamed down from space. The extension of telecommunication services that are somewhat dependent on broadcast delivery revenues would be sharply curtailed. The DBS is not ten or fifteen years away. Hermes operates on a \$500.00 earth receiving station. Similar antenna technology is now approaching the \$60.00 to \$100.00 range. An operating satellite could be launched in three or four years. It is obvious that defensive global regulations must be

sought not only for TV broadcasting but also to protect some semblance of telecommunications sovereignty. (On the other hand, if scrambled pictures were encoded; delivered from a Canadian DBS, and control of decoders was maintained within national boundaries; then a cheaper "cleaned up" version of present cable basic services plus Pay TV could be made available nationally.)

5. MDS (Multi-point Distribution System)

This technology (not commercially licensed in Canada) is an omnidirectional microwave system which permits the distribution of a number of TV signals to small dish receivers at a range of up to about 30 miles surrounding the transmitter. The primary purpose has been to "connect" as it were a number of apartment buildings and high rises which were then internally cabled. These signals from the MDS head end would arrive at much less cost than through trunk cable.

The receiver picks up the microwave signals, down converts them to V channels and puts them into the cable. This system has been particularly applicable to urban centers in the U.S. where passing homes by cable is not economically sound, but where high rises and condominiums do offer a substantial return. Since only two channels are available, MDS is basically a Pay TV distributor.

The economics were based on \$1,200.00 for a receiver and down converter per complex served, which meant at least a minimum of 200 units in each to show a profit. Recently the cost of the receiver and down converter is estimated to have dropped greatly to somewhat below \$100.00. This cost is now

getting into the range wherein individual homes (in line-of-sight) might participate. The dish and down conversion is very similar to what would be needed to receive signals from a DBS. These systems are showing considerable growth and have become an industry of their own. In Canada, this technology has been used to link schools with a central source but has never been licensed for commercial use.

The implications for content are simply those of increasing the potential number of Pay TV subscribers in the U.S. and more solidly establishing the industry. (MDS is also often used for data services and related telecommunications functions.)

6. Laser

A laser beam (a harmless one) can be used for point-to-point communication much more cheaply than trunk cable. At present it is not generally available but by definition it is not regulated as a broadcasting device since it operates at frequencies well above 300 GHz. Some operators have suggested using this technique in much the same way as MDS while avoiding federal regulation. However, it is conceded that the definition would be revised promptly.

7. Summary

The main conclusions to be drawn from this section on delivery systems include the following:

a) That improved multi-channel cable or optic fibre delivery can greatly increase the variety of programs available, and with techniques for demand programming and information retrieval can lead to much more interaction between the consumer

and the system.

b) That if the implementation of these innovations is left simply to the marketplace then in-home devices such as videodisc players or video cassettes will probably gain a substantial control over this aspect of consumer demand first and further retard these cable developments.

c) That fibre optics plus a political will could lead to an integrated system offering both commercially viable and socially useful services.

d) That the imminent DBS could be a very cheap, equitable delivery system but many of the social consequences of an unregulated continental system are highly undesirable.

e) That, given the present telecommunications and broadcasting infrastructure, then by and large, the most likely additional services in the near future will be predicated on the wider distribution and increased quantity of foreign content at the expense of Canadian production and our cultural identity. This also means increasing the amount of content associated with themes of violence.

D. Exhibition

Not much change is anticipated in our conventional TV receiver but there are increasing calls for improvements. The sound although of quasi-FM capability is poorly reproduced and the picture compares unfavourably with European standards which are somewhat higher. Recently with the advent of Pay TV, Hollywood producers have begun to call for much larger screens and stereo sound so that the event pictures and spectacles will achieve some of the impact they have in the theatre.

1. Big Screen

Electrohome in Canada and the Advent Corporation in the U.S. are starting to manufacture large screens for educational use, commercial use (taverns), and even homes. They are still quite expensive and because of the 525 line standard, the picture suffers in definition in much the same way as a photo enlargement of a poor negative. To change the line standard would mean obsoleting every TV in North America unless a compatible change were devised such as producing new big screen sets with 1,050 lines which would require a signal at double the present standard. Conventional broadcast stations would probably be unable to supply it but videodiscs or improved cable could. The big screen of today seems unlikely to penetrate the mass market because of cost and quality. There are some possibilities in the distant future of large flat picture screens but these would need much higher information rates, possibly in digital form.

2. Stereo Sound

The present technology of the TV set will not permit stereo sound. One of the problems is that the sound information is quite separate from the picture information and is modulated differently. (FM as opposed to AM picture). Very frequently the sound reaching the set is of a very low order since it originates from a film track (6 KHz), or it is distributed by land line (8 KHz) and a better quality speaker would make little difference. One suggested improvement is to transmit the sound along with the picture during horizontal retrace and some networks are moving toward this. Only when the broadcasting stations also follow through and new sets are equipped to detect it, would the consumer benefit. Videodisc technology is capable of excellent sound and this may be one of the selling points. This quality of sound may have to be reproduced over an adjacent hi-fi set and quadraphonic sound on videodisc is predicted to be the standard in 10 years.

3. Holography

The ability to project three dimensional pictures in space was first demonstrated in 1948. As yet no commercially viable application to mass media distribution has emerged. Some of the videodisc technologies depend on holographic techniques to encode the information for two dimensional playback. The basic problem with holography lies in the huge amounts of information or bandwidth required to transmit a holograph, plus the complex equipment needed to project the image. It has been speculated that optic fibre could handle the information task but this appears remote for at least a long time. Holo-

graphy in the home could provide startlingly new content with awesome impact, but not in the near future.

4. Summary

Having once standardized our TV system, changes which would obsolete all the existing sets are inconceivable. Video-disc players built-into or wired directly into the set offer considerably improved pictures and sound. Some technical changes in transmission, e.g. circular polarization, may also improve broadcast pictures by reducing interference and ghosting. No startling changes are foreseen in the near future.

E. Summary

Currently there is an explosion of technological developments each advancing the implementation of conflicting systems. Videodisc and integrated circuit technology move us away from centralized distribution and a sophisticated delivery system. Optic fibre by reducing the cost of broadband transmission and increasing the information capacity of "cable" makes centralization more economically practical. Direct Broadcast Satellites could take over completely the TV station delivery function of cable at much less cost. A few nationally or continentally delivered TV stations could wreak havoc with the conventional local over-the-air broadcasting system. In these circumstances it is difficult enough to determine an ideal comprehensive and integrated system which should be pursued in the light of our social and political requirements even without regard to the economics. If it is left to the marketplace to decide, the investor is at least as cautious and indecisive. There are too many imponderables which threaten long term investments—too many huge vested interests already contending. In this climate financial wisdom dictates pursuit of speedy direct returns—therefore in the near future look to Pay TV and videodisc predicated on known successful content, which means more of same.

CHAPTER VI

CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

Economic factors have varying degrees of influence on film-making and television programming and the presentation of violence in film and television. Among the factors shown to have some impact are the market size, the proximity of markets, the competitive nature of the industries, the assessment of audience preferences or market demand, costs of production, and distribution and exhibition infra-structures and practices.

It has been shown that the film and TV industries are highly competitive, commercial enterprises whose objective is to maximize size of audiences and therefore profits. In doing so they will attempt to minimize production costs in producing and focusing on those types of films and programs which have the greatest proven and perceived potential in attracting audiences. The violence theme has shown itself to be a comparatively good theatrical box-office draw and has generally received comparatively high ratings on TV. While violence-oriented films and programs are not necessarily less expensive to produce than films and programs of other themes given the current mix of themes and formats, producers believe that violence possesses a greater degree of certainty in attracting audiences. The comparative success of violence-oriented films and TV programs, in relation to their costs of

production, has produced a built-in economic inertia for them to perpetuate.

Successful theatrical films featuring violence as the theme have been produced at both high and low-cost as have less successful films, and this is also true of non-violent films. The cost of production does not appear to have a major bearing on the success of a film, although higher-cost films obviously permit greater flexibility for the producer in his choice of story, cast, director, location, sets, etc. However, neither the theme, a star cast, a famous director, expensive story copyright, or any of a number of other variables in movie-making are necessarily, by themselves, or even collectively, a guarantee of success. Much depends on the manner in which they are combined, together with audience preferences and the timing of release. Violence as a theme appears to be attractive because it lends itself to a highly formulaic pattern and does not necessarily require good acting and a good story to connect sequences and hold audience interest and attention. Acting and story quality have more importance in the case of drama, traditional romance, comedy, adventure, or spectacular historic events. It appears that films of violence offer a reasonably good box-office draw and can be produced reasonably quickly and in abundance on consistently moderate to low-cost budgets. While other types of film themes can also be produced for approximately the equivalent cost, these other variables combined with the apparent greater certainty, or perceived certainty, at the box-office has caused producers, particularly independents, to concentrate on the violence theme.

A similar situation is found in TV programming. Police/

detective programs, where much of the violence is found, are not the cheapest to produce, nor are they the highest-rated category of programs on TV. Comedies are generally cheaper to produce and on the average have received higher ratings. Comedies, however, are deemed to be more difficult to produce, requiring good scripts and cast performances for success, and suffer in the syndicated market. In contrast, police/detective programs follow a highly formulaic structure and weak plots and acting can be covered with vigorous physical action. They have stood relatively high in the Nielsen ratings chart and on the whole have been relatively consistent. In addition, they tend to appeal to the 25-34 year age group which advertisers are most anxious to reach, and they have good syndication value.

While violence appears in both theatrical film and TV programs, the violence in TV tends to be less graphic and more subdued or subtle. But the fact that violence does appear on TV has likely contributed in part to the extreme nature of violence in theatrical film, coupled with the increasing tendency toward more open sexuality, profanity, etc. currently found in films. Theatres are in direct competition with TV, and many theatrical film producers believe that they must offer theatre-goers entertainment of a type that they cannot obtain from TV. The result has been an increasing tendency toward graphic violence and sex which generally has received a restricted film-censor rating and which appear to appeal to a sufficiently large theatrical audience, and consistently enough, for movie-makers to perpetuate the trend. The evidence indicates a greatly increasing proportion of

X and R-rated films to total film in the last few years.

In Canada, market size is a major factor in the production of both theatrical film and TV programs. Canada represents a relatively small market, one-tenth the size of the U.S., and only the exceptional Canadian-produced film, if produced on a modest to low-cost budget, can expect to make a profit if distribution is restricted to the domestic market. Similarly independent producers of TV programs have contended that they cannot cover costs of production if sale is limited to the Canadian networks. Producers of both film and TV programs must look to the foreign market. In the past, the U.S. market has been the most attractive but the most difficult to enter.

The U.S. film industry is a dominant factor in the production, distribution, and exhibition of Canadian-made films. Not only is the Canadian market for domestic films small, these films must compete with U.S. made films and the Hollywood image. A very large portion of theatrical billings in Canada are American billings. The major film distributors in Canada are primarily American who have working agreements with U.S. producers or distributors thereby assuring them of a constant supply of films. The two major theatre chains in Canada, Famous Players and Odeon, are foreign-owned and have occasionally been accused of favouring foreign films. Canadian producers, outside of this production/distribution/exhibition structure, with limited financial resources and limited distributional expertise and facilities, must nevertheless compete within these constraints domestically and attempt to gain access to foreign, including the U.S., markets. Consequently, Canadian film producers have tended to follow the Hollywood film format,

concentrating on themes which appear "safer" in terms of possessing a degree of certainty at the Canadian and U.S. box-office and which in addition can be produced and distributed at relatively low-cost, and these have included themes of violence, sexuality, and horror.

The proximity of the Canadian and U.S. markets is a dominant factor in the television industry. The two countries practically form a common market for U.S. television programs, and U.S. programming is a major determinant in Canadian TV programming. Canadian and American viewer preferences and viewing habits are very similar, and for Canadian TV stations in a common-coverage area, or in an area served by cable, to deviate significantly from the types of programs shown in the U.S. generally means a loss of audience and consequently advertising revenue. American networks have been shown to offer little diversity in their programming in prime-time, concentrating on three or four program types, namely police/detective, action/adventure, movies, and situation-comedies. The first three, particularly police/detective, are frequently violence-oriented. The homogeneity of program schedules and games of counter-programming frequently offer the viewer little choice. CTV to a large degree, and CBC to a lesser degree, follow these programming patterns. U.S. programs can be purchased by the Canadian networks at only a fraction of the cost of Canadian-made (network or independent) programs and have been shown to be preferred by Canadian audiences.

Violence in theatrical films and TV programs is an established fact. In film in particular, more graphic violence has been increasingly combined with open sexuality and profanity,

resulting in an increasing proportion of feature films being placed on the "parental guidance" or "restricted" list by film censorship and classification boards. Censorship boards and obscenity laws appear to be the only restraint on feature film content. In TV, concern over violence prompted the U.S. networks to enter into a voluntary agreement to restrict violence in the early hours of prime-time. Concern has also been expressed by numerous groups in society, such as the National Association for Better Broadcasting. This group, along with others, have led an assault on violence in TV by concentrating on the sponsors of violence programs and urging the public to shun the sponsors' products in the market. To date a number of companies have specified that their products not be used to sponsor programs of violence but as yet a definitive trend in this direction is not clearly discernible.

However, material too recent to be included in the body of the report indicates that these citizen horror-abatement and anti-violence campaigns are having some results. The NABB headquarters in Los Angeles started contacting advertisers whose spots on the local TV station, KCOP which were being used during late afternoon and early evening showings of movies filled with totally gratuitous horror and violence. Fifteen of the two dozen sponsors contacted have removed their spots from the movie programs. The station, while denying that its action was in any way influenced either by public concern or sponsor withdrawal, has moved some of its worst horror films from Saturday afternoon to late Sunday evening.

Throughout the U.S. the American Medical Association and the National Congress of Parents and Teachers have passed

resolutions condemning excessive violence on TV and are starting programs, both independently and jointly to "actively oppose" the products and services of advertisers on such programs. The PTA has established a committee which will hold regional meetings across the U.S. The National Citizen's Committee for Broadcasting is now prepared to release a specialized series of reports on prime-time violence. These reports which consist of summaries and profiles on a regular basis, available three working days after the close of each week, are the result of an on-going project employing six monitors. Basically the reports cite the five most "violent" and five least "violent" sponsors based on participation in the five most and least violent program from sixty-three prime-time shows.¹

The implication of the above is that citizen action on the economic front by identifying and publicizing "violent" sponsors is perceived to be effectual.

Violence in film and TV programs shown in Canada has more or less been on a par with that in the U.S. In fact, in an effort to survive, Canadian feature-film producers have concentrated on violence, sexuality, horror, and other facets which tend to place films on the parental guidance or restricted list at least to as great if not greater extent than U.S. producers. Efforts have been made to assist and develop the Canadian film industry through financial assistance for production and distribution by the CFDC, the arrangement of co-production agreements, encouragement to Canadian distributors and exhibitors to financially support Canadian-made film, and voluntary quotas for such film by the major exhibitors (Famous Players and Odeon). The economic realities and con-

straints outlined earlier, however, have prompted Canadian and co-producers to follow the success of Hollywood format and themes (including violence), to import performers and directors to increase international appeal, and in general to produce low-cost, carbon copies of U.S. films.

Independent production of TV programs in Canada is practically non-existent. While American networks rely almost totally on independently-produced programs for prime-time showing, the Canadian networks tend to produce "in-house" and are either not interested in independent productions or, given the low price at which U.S. programs are available, do not offer a sufficient price for the productions to encourage independents.

The production of violent content in Canada for Canadian television is of minimal concern. The costs of producing dramatic narratives for purely national consumption which supported only by advertising revenue are prohibitive. The only economically viable entertainment content appears to be \$15,000 productions like "Pig N'Whistle," "Irish Rovers," and "Ryan's Fancy." The few attempts to penetrate the continental market with action/adventure programs, e.g. "Police Surgeon," have disappeared.

The effect of cable has been to markedly proliferate U.S. programs in Canada, increasing U.S. acculturation through the mass media. Our young people, although increasingly concerned about the lack of Canadian programs, are increasingly tuned to the U.S. content. Only one-third to one-quarter of the nation's viewing time is devoted to Canadian programs. With cable and the licensing of additional Canadian stations

it is quite possible in most of our major cities to watch television continuously without ever viewing a Canadian program.

The introduction of Pay TV into Canada appears to offer little likelihood of offering much in the way of alternatives to conventional Hollywood movies and standard TV fare (with the exception of pornography). Even in the pay-per-program mode the evidence so far is hardly heartening. Unless Canada opts for some rather radical structure for Pay-TV the indications are that it will provide 20 to 25 per cent of homes with "more of same."

The newer technologies (particularly videodisc and optic fibre) do indicate some capability for providing genuine options in content and the viewing of them "on demand" at the consumer's convenience. Much as feature films have been pressured into seeking content unavailable on conventional television, programs for these systems may also differentiate into exploitive topics. Conversely the competition for viewer's time may further direct conventional TV into areas of sex and violence. Where there is the capability for viewer control and direct purchasing of content, e.g. pay-per-program Pay TV and videodisc, there are definite indications that pornography is in considerable demand. There is no evidence that violence provides the same attraction, however, in order to satisfy increasingly jaded tastes the combination of sex and violence may be the outcome. On the other hand, these more individual-centered systems hold out great hope of being capable of providing a wide variety of other content not easily provided by the mass media—ballets, operas, symphonies, ethnic culture, etc.—and could through complex learning systems provide much

for the citizen's self-development. They would appear to enlarge the parameters of choice.

Satellite transmission, most particularly the direct broadcast satellite, is an area of grave concern to all nations but one. The problems Canada has experienced with "spill over" of conventional U.S. TV signals could be magnified on a global scale. Since all satellites of a particular generation use the same frequencies for transmitting a dozen or so TV channels, selection of these channels depends on directing the receiving dish at the desired satellite. The only ways control could be exerted would be by prohibiting personal ownership of the receiving apparatus or by insisting that all signals in space be scrambled with the hopes of controlling the particular descramblers used within the nation. Because one direct broadcast satellite could transmit very cheaply the content of a number of networks to a whole continent, the present economics of TV stations located in separate markets owned or operated by various licensees with obligations to serve their community would be drastically changed. While serving to provide a nation with a single and universally accessible system, regardless of how remote the home, the DBS could severely damage regional and local programming. With this highly sophisticated and centralized technology, control of violent content could easily reside with the programming authorities who would be under close state scrutiny and easily enforceable control. Another nation's DBS would raise totally different problems and could destroy a nation's integrity in its communications systems.

In the final analysis the two main visual media, TV and

film, demonstrate the classical economic attributes of oligopolistic and vertically integrated industries. A few large companies dedicated to the avoidance of risk and to the introduction of only marginal changes attempt to maximize profits through increasing revenue (audience) and/or reducing costs.

In the case of TV there is an upward limit to the amount of time people are prepared to view and therefore an upward limit to advertiser revenue. The unit costs of exhibition and distribution tend to be fixed but in production some savings may be effected. Although the initial costs of a program also tend to be fixed, the wider the program is disseminated, the less the pro-rated cost. This leads to such strategies as more frequent repeats, internal syndication, and primarily to extending the market for the programs for whatever monies which can be recovered.

In the case of film, and in Canada particularly, the industry integrates exhibition-distribution-production and any one of these can become a profit centre. Again the cost of film is markedly reduced as distribution broadens. Similarly with TV programs, once the content has been made, outside of royalties owing, the only expenses are the promotion and replication in extending their revenue returning capabilities.

The economic thrust of these facts, in the absence of protectionist policies, is to permit Canada to be a part of continental common market with the basic content decisions established in New York. If the content becomes increasingly more violent it is because the industries perceive this as competitively necessary in meeting consumer expectations and

demands and therefore conducive to larger profits. Primarily what Canadians see or hear on TV and in films is the result of what content is economically possible and successful in the U.S.

B. Recommendations

If the objective is to reduce the degree of violence shown in theatres and TV, a number of possible alternative measures may be considered. These range from rigid, direct controls of censorship of domestically-produced and imported films and TV programs of violence, to indirect discouragement of showing violence. Not all these measures can be viewed as equally viable policy.

Rigorous censorship of violence in domestically-produced films and programs and an outright ban on imported films and programs of violence may be highly effective in curtailing violence shown in theatres and television but it poses numerous difficulties and problems. Censorship is generally abhorrent to many who do not wish to be subjected to the opinion of others as to what they may or may not see. The blacking-out or "jamming" of U.S. stations in border, common-coverage areas might be technically feasible but hardly a serious alternative. Furthermore, almost any interference with U.S. signals may invite retaliation against Canadian-produced film and TV programs and the foreign market is essential for a viable Canadian film industry. Such a measure could also mean a considerable loss of advertising revenue for TV networks and stations who rely on inexpensive foreign programs to remain financially solvent and to subsidize high-priced Canadian productions.

On the other hand, a relatively milder form of censorship may be sufficient in curbing the violence in the more blatant, exploitive types of violence-oriented films and TV programs. While these regulations could be applied to programs

transmitted by Canadian stations and cable operators (a Canadian licensee is not permitted to broadcast anything unlawful), it would have no effect on over-the-air reception from the U.S.

An alternative to imposed censorship, particularly for curbing violence in TV, would be to encourage Canadian TV networks and stations, along with cable and Pay TV operators, to establish a professional code for an acceptable degree of violence in the TV media, following the now rescinded concept of "Family Hour" in the U.S. but extending it to all viewing hours. But, as in the case of censorship, such a measure would not solve the problem of violence from American TV signals picked up by Canadian audiences in border, common-coverage areas.

A supplementary measure could consist of increased assistance to the Canadian film industry to promote the production of quality, non-violent films. This would involve considerably more extensive financial assistance by the CFDC (or other agencies formed for this purpose) to the Canadian film industry than has been given in the past. Concurrently, the questions of quota and levies would have to be studied and probably strengthened to ensure distribution and further financial support. While it has been argued that Canada has the talent and technical expertise for good quality productions for theatre and TV, both areas suffer from lack of finances for these productions. Examples such as "Lies My Father Told Me" are evidence that good quality, non-violent, internationally competitive and profitable films can be produced in Canada given adequate financial and distributional resources. Favourable tax concessions have recently been legislated by the

Federal government to encourage investment in Canadian feature film but this financing does not appear to be coming forth in sufficient quantity or directed into more desirable content. Greater government support appears the only viable alternative or source of supplemental finances. Such support, however, would have to be sufficient to encourage, and should be directed to films in excess of \$1 million undertaken independently by Canadian producers or under terms of co-production agreements which don't simply lead to the mimicking of Hollywood features. Good quality, non-violent, international appealing films are not likely to be produced consistently on shoe-string budgets. Such assistance could furthermore be restricted for the assistance in the production and distribution of non-violence films. Attractive alternatives to violence must be produced. Quotas in theatres for Canadian-made films as is currently practiced could be continued or increased. Ideally this would not be necessary if good potential box office films are produced. With respect to quotas, as one producer once stated: "You can put garbage in the theatre but you can't force people to come to see it."

A more viable policy would be to encourage and assist the production of film that people will be attracted to. There is considerable evidence that non-violence films can be just as appealing as violent films but the ingredients for a successful film must be present. Probably the CFDC should express some social concern in their funding policies. It is questionable that public monies should be spent on exploitive pictures even if they produce a return.

A third measure in this policy "mix" could consist of

the establishment of a permanent public agency or board which would perform a function similar to that of the National Citizens Committee for Broadcasting in the U.S. Its function could be to classify films and TV programs on the basis of violence, publicize possible undesirable effects of viewing violence, and to encourage people and advertisers to shun such programs and films; if thought necessary, it could encourage the public to shun the products of companies sponsoring such programs on TV. A degree of negative public reaction to sponsors' products may well have more effect in curtailing violence on TV programs than any other policy short of outright rigorous censorship.

Since advertising is an area of provincial concern (and the CRTC in the past has respected provincial regulations as applicable to broadcast content in the province), it is possible that rules might be established concerning the promotion and publicity of violent events—both with respect to the advertising material itself and the fact it publicizes such an event. The point is that much of the violent content in the communications industry, although possibly just suggestive, is in the advertising, e.g. newspaper ads, TV and radio spots, of violent or exploitive films (or TV programs). Whether or not members of the public wish to view the film they are often involuntarily exposed to the promotional activities surrounding the event. Children are continually exposed to this provocative and suggestive advertising while restricted from actually attending the theatre. Some curbs in this area might lower the ambient level of violence in society while reducing the power of the advertising messages to promote

the events. This suggestion is not dissimilar to the attitudes expressed toward liquor advertising which suggests an unrealistic view of its consumption or over-consumption.

The problems of spill-over broadcasting are probably insoluble. As people turn more and more to cable and ultimately optic fibre as the prime means of reception in common coverage areas, their capability to return to over-the-air reception may deteriorate. At this time it may be possible to exert stronger influence on just what is carried by cable and how it is procured. The problem of violence on TV is just a part of the whole Canadian broadcasting and program production problem. The study of options for the restructuring (re-capturing) of broadcasting in Canada should be given considerable priority. It is unlikely that we can solve much of the problem of violence without solving the problem of U.S. domination of our airwaves and the viewing preferences of our citizens.

With the introduction of Pay TV into Canada imminent, most indications are that the medium will intensify the proliferation of U.S. content in Canada along with the attendant problems of violence. In the pay-per-channel mode, although unlikely to show X-rated film, the R films remain unedited and are harder than their current release in advertiser-supported television. Unless the objectives as expressed by the Honourable Jeanne Sauvé can be demonstrably achieved, the value of this medium in its present state is highly problematical. Attention at least should be given to provincial film standards being applied and the ratings should be clearly indicated in the program guides, etc.

With respect to the newer technologies in the case of

videodiscs, some form of import controls must be established over what may become the most pervasive content technology yet. Any capability for American (or other foreign country's) direct broadcast satellites to beam directly into Canadian homes should be protested. Canada has already indicated its opposition to their unrestricted use but this is an area that needs to be watched.

In sum, short of restructuring our film and television industries, the best economic approaches to modifying the violence in the visual media for the present appear to lie in tactics designed to impress the advertisers of violent content and the advertising of the events.

Late addendum:

At the National Association of Broadcasters annual convention in Washington, March 28 - 30, 1977, the industry was advised by Hollywood program suppliers that violence would be reduced considerably in next season's programs but that emphasis on sex would increase. In light of the huge success of Charlie's Angels the members were told to look forward to many more "bra-less females in athletic roles".

No reason was stated for this trade-off in emphasis but it appeared that pressure from the public and from advertisers was being effective in the area of violent content.

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